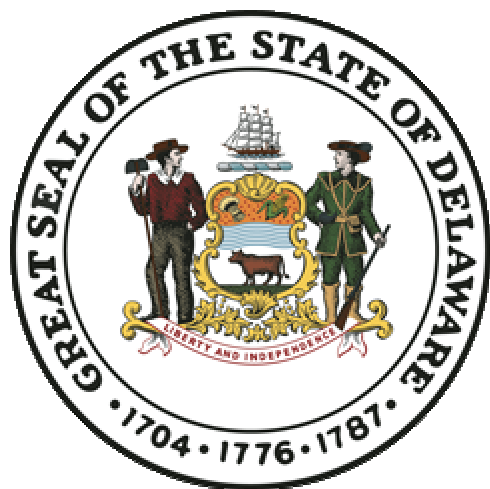


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SUMMARY STATUS OF PRIOR YEAR FINDINGS

JUNE 30, 2007



Finding Number: 03-SSC-04
Fiscal Year: 2003
Related Prior Findings: None
Current Year Findings: 07-SSC-01
Program: 93.658 Low Income Home Energy Assistance Program (LIHEAP)

Condition

It is the Division of State Service Centers' policy to conduct monitoring visits at least one time each year. There was no monitoring visit for Catholic Charities, the subrecipient that receives a majority of LIHEAP funds, during the 2003 fiscal year. Additionally, the cooling segment of the LIHEAP program is not included in monitoring procedures and also has not been included in the automated eligibility database used by Catholic Charities.

Recommendation

We recommend that monitoring visits be made at least once each year for all subrecipients. We further recommend that monitoring visits include the cooling segment and that the cooling program be included in the automated database.

Agency Contact

Leslie Lee (302) 255-9681
Sonya Battle (302) 255-9888

Finding Status

Not corrected or partially corrected.

Status

The third and final component of this finding is based on a recommendation that the cooling component be added to the LIHEAP automated database (CAPTAINS) in FFY'04. The cooling component could not be added when originally anticipated due to reduced funding and resolving DTI requirements. We anticipate this component being incorporated into the CAPTAINS database by the end of this state fiscal year.

Anticipated Completion Date

June 30, 2007

Finding Number: 04-CJC-09
Fiscal Year: 2004
Related Prior Findings: 03-JUS-06
Current Year Findings: None
Program: 16.523 Juvenile Accountability Incentive Block Grant
16.579 Byrne Formula Grant

Condition

The CJC was unable to provide supporting documentation for the amount reported as matching on its SF-269 reports, other than information from its Grants Management System (GMS), which is used to record grant awards and expenditures made by CJC subrecipients. We were unable to trace amounts in GMS to underlying supporting documentation.

Additionally, the cash disbursements reported on the quarterly SF-269 reports were not reconcilable to the expenditures reported on the SEFA because the State's accounting system (DFMS) is not reconciled to GMS. The quarterly SF-269 reports for the State fiscal year ended June 30, 2004 underreported expenditures by \$1,088,100 for the Byrne Formula Grant program and \$1,097,866 for the JAIBG program based on amounts reported in the schedule of the expenditures of federal awards.

We recommended in the prior year that CJC perform a periodic reconciliation of expenditures between the DFMS and GMS systems, in order to identify the timing differences between the disbursements to subrecipients (reflected in DFMS) and the amounts expended by subrecipients (reflected in GMS). The CJC has not yet implemented this recommendation.

Recommendation

We continue to recommend that the CJC perform a periodic reconciliation of expenditures between the DFMS and GMS systems.

We further recommend that supporting documentation for matching amounts reported be retained as such amounts may not be readily identifiable in the DFMS system. Additionally, in conjunction with finding 04-CJC-01, subrecipient monitoring procedures should include procedure to verify that matching amounts reported by subgrantees are appropriate and from an allowable source.

We further recommend that the CJC develop, in conjunction with the Budget Office and Division of Accounting, ways to use the State accounting system to monitor expenditures of subawarded State agencies, rather than relying on manually prepared financial reports from those agencies.

Agency Contact

James Kane, Executive Director (302) 577-5030

Finding Status

Fully corrected.

Status

The recommendation of reconciling GMS with DFMS was made due to prior fiscal staff preparing the FSR-269 using figures from GMS. For the past three years, beginning with the quarter ending September 30, 2004, the FSR-269's have been prepared using the Monthly Grant Spreadsheet received from OMB for the federal share. These spreadsheets are a download from DFMS. The SEFA total for the Victims Grant for SFY 2007 was reconciled to the FSR-269's prepared during the audit period for grant years 2003 through 2006 and matched SEFA to the dollar. Therefore, we feel the audit recommendation is no longer applicable.

CJC monitoring procedures outline the process for grant monitors to check and verify that match funds are monitored for allow ability, source, and proper amounts.

CJC receives a grant spreadsheet monthly from the Budget Office that details all expenditure activity by grant for all sub awarded State agencies. This spreadsheet is used to prepare the FSR-269 and to verify that request for funds from State agencies are accurate. This information was given to the auditors during our review. We feel that this spreadsheet more than meets the requirement that's outlined in the recommendation.

Finding Number: 05-AGI-02
Fiscal Year: 2005
Related Prior Findings: None
Current Year Findings: None
Program: 93.044, Aging Cluster
93.045,
93.053

Condition

For the year ended June 30, 2005, \$3,155,175 was expended under subcontracts for the Aging Cluster. Total expenditures for the program were \$4,679,108.

DSS performs subrecipient monitoring activities throughout the year, including site visits and project monitoring, which are designed to detect material noncompliance and internal control deficiencies related to the Aging Cluster.

DSS routinely requests audit reports as part of its annual contract renewal process. DSS's "Checklist for Completing Contract Renewals" includes a line for recording the year of the most recent audit report, the date of the audit, and the initials of the individual who reviewed the report. However, DSS does not:

- Maintain copies of the OMB Circular A-133 audit reports received from subrecipients
- Maintain documentation concerning the consideration of findings identified in the report and their impact on further monitoring efforts and contract renewal
- Have a procedure in place for verifying whether or not a subrecipient is required to meet the audit requirements of OMB Circular A-133 (receives more than \$500,000 in federal awards during the subrecipient's fiscal year)

Recommendation

We recommend that DSS:

- Retain all OMB Circular A-133 audit reports received
- Obtain confirmation from subrecipients that do not submit an OMB Circular A-133 audit report that they were not required to do so because they did not meet the expenditure threshold or for some other reason
- Document its consideration of any findings contained in the OMB Circular A-133 audit reports including the impact of any noncompliance or internal control weaknesses on the contract renewal process and future monitoring efforts

Agency Contact

Albert W. Griffith (302) 255-9355

Finding Status

Fully corrected.

Status

In July 2006, DSAAPD began retaining all OMB Circular A-133 reports received during the fiscal year and started obtaining confirmation from subrecipients that are not required to submit an audit report. In addition, a form has been developed to document a completed review of any audit reports received.

DSAAPD is now retaining all OMB Circular A-133 reports received beginning in July 2006.

DSAAPD began obtaining confirmation from subrecipients that are not required to submit an OMB Circular A-133 audit report in July 2006

DSAAPD has developed a form to be completed upon review of each OMB Circular A-133 audit report received. This began in July 2006. To date, the audit reports have not contained any findings including the impact of any noncompliance or internal control weaknesses. However, we continue to review each audit report for any and all findings. During the monitoring process, some areas are cited for program non-compliance. If a corrective action plan is developed, DSAAPD provides technical assistance to ensure proper operation.

Finding Number: 05-DNR-01
Fiscal Year: 2005
Related Prior Findings: None
Current Year Findings: None
Program: 11.420 Coastal Zone Management Estuarine Research Reserves

Condition

The Department of Natural Resources and Environmental Control (DNREC) expended \$623,385 in federal funds during fiscal year 2005 for a construction project for which contractors did not submit certified payroll records to the State. The project was also partially funded with State funds. Total expenditures under CFDA number 11.420 were \$3,463,850.

Although DNREC was aware that the Davis-Bacon Act applied and the contractors were so informed, DNREC did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State DOL, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that DNREC develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at DNREC.

We further recommend that DNREC develop policies and procedures for coordinating with the DOL, Division of Labor Law Enforcement regarding split-funded construction projects to which both State and federal laws and regulations apply.

Agency Contact

Brian M. Leahy (302) 739-9921

Finding Status

Fully corrected.

Status

The policies and procedures referenced in the recommendation were completed by June 30, 2006. They were signed and included in the Department's Policy Manual on 2/15/2007 under Policy #D-0519 Federally Funded Construction Projects Policy.

Finding Number: 05-STA-01
Fiscal Year: 2005
Related Prior Findings: None
Current Year Findings: None
Program: 64.203 State Cemetery Grants

Condition

During fiscal year 2005, \$3,072,451 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was entirely federally funded. Total expenditures under CFDA number 64.203 were \$3,275,520.

Although the Department was aware that the federal prevailing wage rates applied and the contractors were so informed, the Department did not have policies and procedures in place to require submission of and monitor certified payrolls. Certified payrolls for this project were provided to the Department of State by the contractor upon request in February 2006.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Department of State develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the department level.

Agency Contact

Tim Ferrier, Chief of Administration (302) 739-4111, 1202

Finding Status

Fully corrected.

Status

The Department of State adopted a department policy on November 1, 2006, which includes requirements and responsibilities for complying with Davis-Bacon Act.

Finding Number:	06-FIN-01
Fiscal Year:	2006
Related Prior Findings:	03-FIN-01, 04-FIN-01, 05-FIN-01
Current Year Findings:	2007-1

Condition

Comprehensive Annual Financial Report (CAFR) Preparation

Process for Preparation

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports and recording various adjustments. The many sources of information and the extent of modification of financial system data necessary to produce a CAFR results in a financial reporting process that is highly complex and susceptible to errors. There was internal review of the CAFR build-up prior to submitting to the auditors for review, but the process did not detect all of the errors in the build-up. In addition, the new personnel responsible for the CAFR development prepared a more detailed reconciliation, than had been done in the recent past, between the Office of the Treasurer's cash reconciliation and the state's accounting system, which resulted in the identification of a significant reconciliation issue with the roll-forward of cash balances that have historically been reported in the statements. The Division of Accounting spent several weeks conducting a comprehensive review and analysis of reports from the state's accounting system; transfers; supplemental budgetary appropriations, as well other processes and transactions to isolate the errors and identified a \$19.9 million historical reconciling item along with other issues. While a timeline was developed for the completion of major milestones for the CAFR process, none of the significant deadlines were met and we noted that many of the financial reporting deliverables were not completed by the projected deadlines, as a result of the late start and learning curve of new personnel. However, the first draft of the CAFR was more complete and accurate than in prior years, although there continued to be several significant adjustments posted after the first draft.

Additionally, the financial reporting process is dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. Many of the outside agencies use systems outside of the current statewide accounting system to gather and track this information since the current system is not robust enough to meet their needs which adds to the complexity of the year-end closing and reconciliation process. The GAAP package reporting process, which includes the preparation of over 180 packages, also relies on the audit to ensure that amounts are accurate and properly supported. In 2006, the new personnel in the Division of Accounting reviewed many of the significant GAAP packages prior to the external audit being completed. We noted errors in the information submitted on the GAAP packages, which were not detected by the Division of Accounting's review process.

Personnel Assigned

There had been a lack of allocation of duties for the preparation of the CAFR in prior years and in 2006, the key person who prepared the CAFR retired. In 2005, the State had more active involvement by Finance staff and additional consultant assistance in preparing certain parts of the CAFR. In 2006, the consultant assistance was hired again to take on a larger role in the CAFR preparation process. This was complemented by additional new personnel hired by the Division of Accounting. These resources were not in place at the Division until three months after year-end. As a result of the additional on the job training time, implementation of new accounting and reporting standards for the Statistical Section, and time spent documenting the process, the majority of the CAFR again was not completed until five months after year-end. Other than the hired consultants, none of the key personnel involved with the process have prior experience with the preparation of a financial statement with the size and complexity of the State of Delaware.

Additionally, many of the personnel assigned to complete the GAAP packages sent to the Division of Accounting by the agencies are not trained accountants, and as a result of the lifting of a hiring freeze, there was a significant amount of turnover at the agencies, which resulted in many of the personnel completing the GAAP packages being new to their responsibilities.

Technology

The DFMS system is a cash basis accounting system that does not have the flexibility to accommodate modified accrual accounting and is not easy to obtain ad-hoc reports for financial reporting and analysis. The system does not easily identify by department and agency what cash balances are held by the Treasurer's office. As a result, reports utilized from DFMS are significantly manipulated through spreadsheets to develop the trial balances and the CAFR. In addition, the financial schedules and the Balance Sheet are rolled forward from year to year using an Excel spreadsheet for tracking financial activity for a \$10 billion operation.

Recommendation

We recommend that management continue to refine their review of the work papers used to complete a draft CAFR and approve all significant adjustments, conversion to accrual adjustments and reconciliations. The review should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors.

Because of the complexity of the report build-up process, management should re-evaluate the process to convert budget-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts. Additional DFMS reports by GAAP fund should be investigated and utilized for the financial statement build-up process in place of the existing spreadsheet analysis that is completed. In fiscal year 2007, consistency should be put aside as management evaluates the necessity of the adjustments made to the core DFMS reports for CAFR preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year. Additionally, the reconciliation of the Treasurer to CAFR cash balances should be imbedded as a first step in the CAFR preparation process to insure that all cash transactions and balances are properly captured.

We encourage the Division of Accounting to review their staff complement and to establish at least two positions that require significant governmental financial statement preparation experience with a CPA or similar credentials. We encourage the State to expand the knowledge base of the resources in financial reporting to help manage the compilation of various processes and financial statement preparation for the CAFR. These resources are critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to the Division of Accounting for year-end financial reporting.

The improvements in the component unit report formats should be built upon to ensure complete compliance, and comments on potential improvements to the financial statements for 2007 should be communicated to the component units by the Division of Accounting as soon as possible to allow them to plan. Additionally, we continue to recommend these entities be provided with control numbers for items expected to be identified in the financial statements, including; cash held with Treasurer's Office, transfer amounts, debt, and due to/from. These numbers should be identified by the Division of Accounting as soon as the first cash basis close is completed so that the other departments and agencies can work toward verification of the balances through their own closing process.

The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that the new internal control resources in the Division of Accounting communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. The current year training on GAAP package preparation should be

updated to include a more theoretical basis for what should be included in the packages. Areas of focus should include accounting estimates, receivable balances and construction in progress. The number of GAAP packages and personnel assigned to complete them should be reviewed as part of the improvements to year-end reporting to ensure that they comply with the State's policies over internal control and segregation of duties.

As part of the closing process re-engineering, the DOA should review all available DFMS reports, and utilize state resources to brainstorm on what additional reports would be helpful to streamline the reporting process. Any new report created or used in this process should be reconciled back to the core DFMS general ledger report used to complete the financial statements.

Lastly, as the state continues to prepare for the implementation of the new accounting system, every effort should be made to consolidate as much GAAP Package accrual information as practical into the new central system. These items include debt, fixed assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits of a more robust central system will include a more efficient closing process, as well as better internal controls and more complete information for management decision making throughout the year.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

The Division of Accounting recognizes the importance of an accurate and timely CAFR preparation process. We have already begun to implement a continuous improvement plan which focuses on streamlining three primary areas: 1) CAFR Preparation Process and Formatting; 2) GAAP Package Process; and 3) Capital Assets and Construction in Progress. The personnel involved in the 2006 CAFR process, as well as the consultants hired to assist with the preparation of the CAFR, are focused on this improvement process, with managerial oversight and support of senior management.

CAFR Preparation Process –

We have begun to identify reports that we can use to streamline major areas of CAFR preparation. We have also developed formal procedures for reconciling the cash recorded in the CAFR to the cash reported in the DFMS as a first step in the CAFR preparation process.

During our 2006 CAFR preparation, the division did develop a process to convert the budget basis to DFMS numbers that did not require any reconciling adjustments. The reports balanced and tied to system reports. We are in the process of evaluating the necessity of making adjustments to core DFMS reports for CAFR reporting.

The division is in the process of enhancing formal communications to state organizations for CAFR preparation and reporting purposes. We have sent written requests for information, along with standard financial statement templates for reporting information to the division, to the component units. The templates provide for greater efficiency in consolidating financial data where applicable as well as support standardizing our reporting process. The division is in the process of implementing procedures to provide control totals to the component units for confirmation of items expected to be included in the financial statements.

We have also identified other reports in DFMS and developed new reports from DFMS that will help streamline procedures for major areas of the CAFR build-up.

GAAP Package Process –

Our continuous improvement plan for the GAAP package process includes procedures to: 1) enhance communications with State agencies; 2) provide assistance during GAAP data entry period (July 2007); 3) perform internal controls procedures (August 2007), and; 4) analyze and evaluate the financial data contained in the GAAP packages for purposes of analytical reviews and ensuring that the agencies are reporting data that is material to the CAFR. This continuous improvement plan will span two reporting years as we focus on making this a year round process.

During 2007, we held initial field visits with state organizations to communicate our planned changes in the GAAP reporting process, the availability of technical assistance by division personnel, the division's timing for internal controls reviews, and to stress the importance of the timely reporting of the GAAP package to the overall CAFR preparation timeline. The 2007 GAAP training sessions were more detailed than in the past. More time was dedicated to ensuring participants understood what should be in the packages and the importance of supporting documentation. In addition, the director for the Division of Accounting sent the senior management of state organizations written communication with a summary of the CAFR reporting timeline and emphasized the importance of the CAFR preparation process and the timely submission of GAAP packages and Capital Assets information.

We have developed internal control procedures to review the GAAP packages, and a review of the segregation of duties has been included in those procedures.

Additionally, the CAFR staff has participated in several meetings with the new accounting system module teams to map the CAFR preparation process. The information will be used to configure the software so that key reports can be generated by the system for the preparation of the CAFR after we implement the new ERP.

The division has been committed to adding human resources to the CAFR preparation process as well as providing more technical support in the area of internal controls to state organizations. We were successful in getting approval of two additional internal control positions through the legislative process and we are currently going through the reclassification process. Additionally, we are in the recruitment process for a senior level position with significant experience in government financial statement preparation to provide functional oversight of the process.

We plan to consolidate GAAP package accrual information requirements in preparation for the new PeopleSoft financial system and provide additional training for personnel resources to expand their knowledge base in financial reporting and the internal control review process. This training will be provided through continued GAAP training and incorporation of the principles of financial reporting into the State's Government Accounting Course.

Anticipated Completion Date

May – December 2007 – Implementation of Re-engineering Enhancements

January 2008 – Post CAFR Review and Evaluation

Finding Number: 06-FIN-02
Fiscal Year: 2006
Related Prior Findings: 03-FIN-02, 04-FIN-02, 05-FIN-02
Current Year Findings: 2007-1

Condition

Capital Assets and Construction in Progress

In order to calculate the ending capital asset balances for inclusion in the CAFR, the State relies on information recorded in the GAAP packages. The Division of Accounting has utilized some of their resources to review the data received from the various departments. The accountants detected numerous errors in the amounts reported by agencies on GAAP packages. As a result of our audit procedures it was determined that the methodology used to capitalize construction in progress did not include amounts included in accounts payable. Additionally, several items were posted to accounts outside of the traditional ledger accounts used to capture fixed asset activity and items were discovered that should have been capitalized. While progress was made in cleaning up the records, much of this effort was accomplished after year-end, which added to the delay in preparing the CAFR.

Recommendation

The capital asset and construction in progress balances comprise a significant portion of the State's total assets. As such, we recommend that the balances be centrally managed by the Division of Accounting including frequent site visits to agencies with significant capital assets and construction projects throughout the year and diligent review of transactions posted to non-capital accounts for items that may be capital in nature. The DOA should use one of the new personnel resources in a capital asset accountant oversight position to ensure that the respective agencies are appropriately maintaining accurate capital asset balances throughout the year, transferring completed projects to the appropriate capital asset category timely, validating the accuracy of system reports and properly calculating ending balances on the GAAP packages. In addition, enhanced training on the proper accounting for capital assets, including construction in process, should be mandatory for all agencies with significant capital asset balances to ensure that each agency is completing GAAP packages and calculating capital asset values consistently and in accordance with the State's policies and generally accepted accounting principles.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

The Division has taken great strides to address items related to the reporting of Capital assets and Construction Work in Progress (CWIP). The CAFR team developed a continuous improvement plan which incorporated the recommendations found in the Management Response Letter. This plan established a timeline, detailed action steps with estimated hours for completion as well as accountability for reporting Capital Assets and CWIP completely and accurately.

We conducted field visits to large state organizations with CWIP before the 2007 fiscal year end, in order to address issues they have had from the prior year and provide training for the current year. In 2007, we have conducted site visits with seven state organizations. Additionally, we are now part of the Office of Management and Budget's (OMB) notification process for the transference of assets from CWIP to state organizations.

We held training classes specifically for the business managers of local school districts and the OMB. This had not been done in the past, and the CAFR team identified specific areas of focus for the training based on prior year adjustments.

We reviewed reports from DFMS, which were run on March 31, 2007, for any major activity through the fixed asset system to begin identifying issues and planning for our 2007 capital assets and CWIP review procedures.

The DFMS Fixed Asset System runs Asset Ledger reports when requested by the division. Because we are getting closer to implementation of the new accounting system, we have been communicating with state organizations that they need to develop a process to update their fixed asset ledger for completed construction projects on a monthly basis. Currently, the division's policy manual states that state organizations with CWIP can record their completed projects once a year; however, we will be changing the manual to make it mandatory for them to record their projects in the month that the project was completed. Additionally, we are currently working on changes to the fixed asset manual to require state organizations to inventory their assets every year. Currently, they are required to conduct a physical inventory.

We have added an action step to our continuous improvement plan for the extraction of non-capital items at certain timeframes during the fiscal year to identify and investigate whether state organizations have properly classified the expense.

We conducted a fixed asset policy training class for state employees in FY 2007. We plan to hold additional training sessions in FY 2008.

Anticipated Completion Date

May – December 2007 – Implementation of Re-engineering Enhancements

January 2008 – Post CAFR Review and Evaluation

Finding Number: 06-FIN-03
Fiscal Year: 2006
Related Prior Findings: 05-FIN-03, 04-FIN-04
Current Year Findings: None

Condition

The State of Delaware Office of the Auditor of Accounts (AoA) issued in 2004 a report which contained reportable conditions related to the information technology general controls surrounding the State's eligibility determination systems housed in the Biggs Data Center, including the DCIS II System (Medicaid, TANF, Food Stamps), the CCMIS System (Child Care), the WIC System (WIC Program), and the DACSES system (Child Support Enforcement). Additionally, the report contains reportable conditions related to the information technology general controls surrounding the State's Unemployment system, Department of Transportation systems, and the accounting (DFMS) and payroll (PHRST) computer systems, which are housed in the William Penn Data Center. The Biggs Data Center and William Penn Data Center are maintained by the Department of Technology and Information (DTI).

Findings identified in the report, entitled State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up, include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management
- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and back up procedures

Based on interviews with DTI personnel, weaknesses in the following areas have been addressed in the current year:

Biggs

- File transmissions
- Program change control

William Penn

- Operating system and application development
- Data file access and security administration
- Physical security
- Disaster recovery planning and back up procedures

However, the implementation of the corrective action asserted to be taken by DTI to resolve the above issues was not audited.

Recommendation

We continue to recommend that the Department of Technology and Information implement its corrective action plan in the above-mentioned report.

As per the Summary Status of Prior Year Findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2006.

Agency Contact

Trisha Neely, Director-Division of Accounting (302) 672-5500

R. Dale Abbott, IT Audit Control Specialist-Department of Technology and Information (302) 739-9634

Finding Status

Not corrected or partially corrected.

Status

Of the five (5) findings partially implemented from the September 2006 report, three (3) are closed and two (2) are still partially implemented.

1. *Partially corrected - Windows Domain (everyone group).*

The recommendations have been implemented to the extent possible; however, some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.

As of July 18, 2007: Item is still partially implemented.

2. *Fully corrected. Data File Access and Security Administration.*

As of September 2006: Data File Access and Security Administration – ACF2 accounts with SECURITY or ACCOUNT privileges (finding #11 from the Biggs Data Center report). This recommendation has been partially implemented. The access was corrected; however, no monthly review of access has been implemented.

As of February 22, 2007: Monthly reviews of access logs are done at the beginning of each month.

3. *Fully corrected. Data File Access and Security Administration.*

As of September 2006: Data File Access and Security Administration – ACF2 accounts with AUDIT privileges (finding #12 from the Biggs Data Center Report). This recommendation has been partially implemented. The access was corrected; however no monthly review of access has been implemented.

As of February 22, 2007: Monthly reviews of access logs are done at the beginning of each month.

4. *Partially corrected. Windows Domain (Group Policy).*
As of September 2006: Windows Domain (Group Policy) (finding #10 from the fiscal 2005 report). The recommendation has been implemented to the extent possible; however some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.

As of July 18, 2007: Item is still partially implemented.

5. *Fully corrected. ACF2 (Restricted Logon ids).*
As of September 2006: ACF2 (Restricted Logon ids) (finding #12). Logon ids with RESTRICT have been limited, however DTI disagrees with our recommendation to place PROGRAM and SUBAUTH privileges on these IDs.

As of February 22, 2007: An agreement was met between the auditors doing the review and the technical staff that the status as of September 2006 was going to remain static.

The creation and approval of the State of Delaware Information Security Policy addresses the areas noted that involved policy.

Anticipated Completion Date

Ongoing

Finding Number: 06-FIN-04
Fiscal Year: 2006
Related Prior Findings: 05-FIN-04
Current Year Findings: None

Condition

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Department of Finance, Statewide SuperCard Audit June 30, 2005* in the prior year which contained reportable conditions related to the implementation of the State's procurement and travel card program, known as SuperCard.

The Department of Finance, Division of Accounting, is responsible for the oversight and management of the SuperCard program.

Internal control weaknesses existed in prior year at both the oversight level and within the individual departments. Management's response as to the status of the findings and recommendations noted in the prior year report indicated that, although some items have been corrected, such as updating policies and procedures of the SuperCard program and filling of two Division of Accounting Internal Control positions, the conditions observed in fiscal year 2005 continued to exist during the period under audit.

Summaries of the remaining weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program
- Stricter criteria should be included in the policies and procedures regarding who should be issued a SuperCard.
- Departmental monthly reconciliations of SuperCard transactions are not always completed in a timely manner and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely and the Division of Accounting did not reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase.
- Cash advances are used at some departments throughout the State.

The Department of Administrative Services (under the Office of Management and Budget as of July 1, 2005) did not always comply with State procurement law when utilizing the SuperCard.

Recommendation

We recommend that the Department of Finance, Division of Accounting continue to implement the recommendations as detailed in the above-referenced report related to weaknesses at the oversight level.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

Partially corrected. Policies and procedures as well as stricter criteria of who should be issued a SuperCard have been incorporated into a revision of the SuperCard program manual. A new policy will be issued later this year.

Fully corrected. State organizations must complete a monthly certification of internal controls which has taken the place of the monthly reconciliation with the concurrence of the Auditor of Accounts. This process has been spelled out in Accounting Memo # 04-14. There is also an escalation process in place for past due certifications to ensure the certifications are submitted in a timely manner.

Fully corrected. Cash advances are typically used by individuals who travel on behalf of the state. There are two ways to obtain cash advances with the SuperCard: withdrawal through use of the Automated Teller Machine (ATM) or withdrawal from a bank teller. This policy has been reviewed by the Division of Accounting and the Office of Management and Budget and a decision made that elimination of cash advances is not in the best interest of the traveler or the State. We continue to allow travelers to utilize ATMs for cash withdrawals with appropriate controls. However, we have eliminated the use of inside bank teller withdrawals by inactivating the SuperCard code and updated the statewide travel policy (released December 2006) to reflect this procedure.

Fully corrected. The Office of Management and Budget has internal policies and procedures enforcing submission of documentation for all SuperCard transactions.

Anticipated Completion Date

Ongoing

Finding Number: 06-FIN-05
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 2007-2

Condition

The State of Delaware Office of the Auditor of Accounts issued a report entitled *Statewide Journal Entry Performance Audit, July 1, 2005 – February 28, 2006* in the current year which contained reportable conditions related to the initiation and processing of financial transactions using documents contained in the Delaware Financial Management System (DFMS).

The Department of Finance, Division of Accounting, is responsible for the oversight of the processing of financial transactions in DFMS.

Internal control weaknesses existed at both the oversight level and within the individual agencies/departments/divisions reviewed. Summaries of these weaknesses are as follows:

- Most agencies/departments/divisions selected for review did not have internal written policies and procedures for the processing of journal entry-type transactions.
- Monthly reconciliations of DFMS activity are not performed consistently, if at all, throughout the agencies/departments/divisions.
- DFMS users throughout the agencies/departments/divisions reviewed have access to scan, enter, correct, and delete transactions, and apply both the first and second levels of approval in DFMS to these transactions. In addition, certain agencies allow users to log onto DFMS as other users in order to apply the approvals necessary to process transactions.
- At several agencies/departments/divisions, there is one person who has the ability to prepare financial documents, sign the documents, enter the transaction into DFMS or OMS, apply approval in DFMS or OMS, and prepare the monthly reconciliations. In many cases, a person independent of the process does not review monthly reconciliations. These situations result in a lack of segregation of duties and an increase in control risk within the agencies/departments/divisions.
- Facsimile signature stamps were used as authorization on 68 transactions of the transactions reviewed. These transactions were valued at \$93,665,764.
- 1,371 transactions, valued at \$1,257,965,384, were reviewed at the agencies/departments/divisions selected. Of those transactions:
 - 318 transactions, representing \$265,380,494, did not have supporting documentation. In addition, five documents, valued at 743,473, could not be located.
 - 66 transactions, representing \$6,574,507, did not have proper authorization.

Recommendation

We recommend that the Department of Finance, Division of Accounting implement procedures to correct the conditions detailed in the above-referenced report.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

Fully corrected. We have reviewed state organizations' internal policies and procedures and will continue to work with them to ensure accurate reflection of the processing of all data entry transactions. This will become a continual process as the roles and responsibilities of the new internal control positions are fully developed and as policies and procedures change as a result of the implementation of the new financials system.

Fully corrected. Accounting Memo # 04-14 changed the requirement for the submission of monthly reconciliations. The monthly certification of internal controls is now required along with an annual statement of reconciliation. The latest version of the Budget and Accounting Manual update reflects this change.

Partially corrected. While we do not believe this finding can be fully corrected using the current accounting system, we recognize and enforce the need for proper security and internal controls. The issue, we believe, stems from small organizations that do not have the personnel to provide multiple levels of transactional review. We have tried to control this issue by establishing thresholds at which to apply the third level of approval at the Division of Accounting. For example, an analysis was performed, indicating that over 80 percent of the Payment Voucher transactions, with a dollar value of less than \$2500; represent less than 20% of the total dollar value of purchases throughout the State. Currently, all PV transactions \$2500 or greater are required to be reviewed by the Division of Accounting. System edits have been applied that will not allow a transaction of \$2500 or greater to process without Division of Accounting approval. While we recognize that all accounting transactions do not fall within this example, we believe we have applied appropriate levels of transactional review for transactions that would materially impact financial reports and have minimized the risks associated with this issue. Further, there have been no indications that fraud or abuse has occurred from organizations that are not able to provide multiple levels of transaction review.

We have investigated and brought the improper allowance of DFMS security to the attention of management at Cape Henlopen School District and the Department of Education. We have enabled, through DFMS documentation and security, personnel authorized to have the proper security access from these organizations.

Not met. We disagree with this recommendation, even though we understand the concern the finding addresses. Facsimile signature stamps are authorized in accordance with 29 *Del. Code*, Chapter 54. The usage of a facsimile stamp is legal and necessary in numerous cases, given business conditions. The use of a designee in no way limits the responsibility of the official for those transactions, furthermore, inappropriate use of a facsimile signature is deemed forgery and punishable under forgery laws.

Anticipated Completion Date

January 2010

Finding Number:	06-DOT-01
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	2007-3

Condition

Accounting for Capital Assets and Infrastructure

In order to calculate the ending capital asset balances for inclusion in the Department of Transportation (DelDOT) financial statements, DelDOT uses various departmental maintained spreadsheets and reports as well as BACIS expense reports to calculate the balance of capital assets and infrastructure. DelDOT does not currently have a fixed asset subsidiary ledger that can roll-forward all of the elements typically contained in fixed assets records, including asset identification, location, historical cost, acquisition date, useful life, depreciation, accumulated depreciation, and funding source. These records are traditionally rolled forward from beginning of year to end of year with additions, deletions, and depreciation. These records will allow for the required every other year physical inventory of equipment required by the Federal Government, and improve the controls over year-end financial reporting.

The application of the modified approach requires determining if capital program expenditures are for preservation and maintenance or additions to the capacity of infrastructure. The department currently has a sub-appropriation code in BACIS that tracks infrastructure additions so that expenses can be coded correctly when they relate to infrastructure. There appears to be no clear procedure to review all projects to determine if and how much of a project adds capacity to the infrastructure assets for the purposes of financial reporting so the appropriate coding can be done in BACIS. Our review of projects identified three additional projects that were considered by the DelDOT project managers to add system capacity but they were not coded as such in BACIS. The review identified an additional \$20 million in additions and \$28 million of prior period additions related to these projects.

Recommendation

The capital asset infrastructure comprises a significant portion of DelDOT's total assets. As such, we recommend that the balances be centrally managed in a fixed asset subsidiary ledger that has the capability to track current items as described above, additions, deletions and calculate depreciation.

The determination as to whether or not a project adds capacity for purposes of financial reporting should be coded by individuals who have a working knowledge of the project and determined at the beginning stages of the project development. DelDOT should establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting. The results of this review should be coded into BACIS so that appropriate additions can be identified for the projects.

Agency Contact

Kathy S. English	(302) 670-2688
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Finding Status

Not corrected or partially corrected.

Status

DelDOT's BACIS accounting system does not have a centrally managed fixed asset subsidiary ledger and one is not anticipated to be established, inasmuch as the BACIS accounting system is over 25 years old. DelDOT is not upgrading BACIS due to the fact that the State is implementing a new accounting system in the very near future, which DelDOT will be using. These issues should be addressed in the new PeopleSoft system.

As far as determining whether or not a project adds capacity for purposes of financial reporting, DelDOT has prepared a draft "Infrastructure Project Classification Policy" and have forwarded it to KPMG for their input. As soon as our auditors have given the proposed policy their approval, the Department will move to formally establish the policy and distribute it throughout the Department.

Anticipated Completion Date

December 31, 2007

Finding Number:	06-DOT-02
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None

Condition

Accounting for Miscellaneous Revenue

Revenue from contracts settlements and recoveries is not subject to management's review for the purpose of determining the appropriate accounting treatment for year-end financial reporting purposes in accordance with generally accepted accounting principles. The agreements with CSX and Shellpot both required additional review and adjustment.

Recommendation

We recommend that management establish a formal review process over contracts entered into by the Department effecting revenue for the purpose of determining the year-end accounting treatment for all significant transactions.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Fully corrected.

Status

This finding relates to the revenue associated with the Shellpot Bridge revenue arrangement with the Norfolk Southern Railroad. Management now reviews this contract to determine annual year-end accruals necessary to accurately reflect revenues earned as of the year-end.

Anticipated Completion Date

June 30, 2007

Finding Number: 06-AGI-01
Fiscal Year: 2006
Related Prior Findings: 02-AGI-01, 02-DHSS-01, 03-AGI-01, 04-AGI-01, 05-AGI-01
Current Year Findings: 07-AGI-01
Program: 93.044, Aging Cluster
93.045,
93.053
93.667 Social Services Block Grant

Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives; however, while tracking of effort is performed for employees in the Client Services Unit, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Recommendation

We recommend that DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Agency Contact

Albert W. Griffith (302) 255-9355

Finding Status

Not corrected or partially corrected.

Status

DSAAPD utilizes a federally approved cost allocation system for tracking employee's time. The system to accurately adjust funding corrections is still under development. Currently information is aggregated and requires additional time to provide detailed information. The Division will continue to explore options to monitor and manage the entire process.

In addition, DSAAPD is working with a Cost Allocation consultant and is looking to identify additional resources to develop this procedure for salary allocation.

Anticipated Completion Date

July 2008

Finding Number: 06-AGI-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.044, Aging Cluster
93.045,
93.053

Condition

In prior year single audits, we noted items for administrative costs that were allocated to the Aging Cluster on the basis of total funding available from various funding streams rather than actual usage of these services (including temporary services, security services, pager services, and office supplies) by the program. The program has not corrected this condition and we continue to report this condition as a finding.

Total non-payroll costs other than contractual services for client service charged to the cluster for fiscal year 2006 were \$20,003.

Recommendation

We recommend that DSAAPD develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program. We further recommend that DSAAPD ensure that administrative items applied to the Aging Cluster as direct costs are not already included as part of the indirect cost rate billed quarterly by the Division of Management Services.

Agency Contact

Albert W. Griffith (302) 255-9355

Finding Status

Fully corrected.

Status

The Division has developed and implemented procedures that are cumbersome but allocate administrative costs on the basis of actual usage. DSAAPD does not include administrative items or any direct costs to the Aging Cluster that would be included in the quarterly indirect cost billing rate.

Finding Number: 06-COE-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-COE-01
Program: 90.401 Election Reform Payments

Condition

Nonpayroll transactions

Three of 12 nonpayroll transactions selected for test work totaling \$1,400 were not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Policy Manual*. The total dollar value of the 12 transactions was \$742,790.

Total nonpayroll transactions (PV's) processed by the program for the year ended June 30, 2006 totaled \$1,020,159.

Intrastate transactions

For 9 out of 14 intrastate transactions selected for test work, the Department of Elections – Commissioner of Elections (COE) could not provide a copy of the IV document or the supporting documentation related to the transaction. As a result, there was no evidence of approval of the transaction by the buying agency (Commissioner of Elections, Election Reform Payments Program) for these transactions. The total dollar value of these 9 transactions was \$741,518 and the total dollar value of the 14 transactions tested was \$840,870.

Total intrastate transactions (intergovernmental vouchers, journal vouchers, and expenditure correction documents) processed by the program for the year ended June 30, 2006 totaled \$1,186,761. Total expenditures for the program were \$2,286,808.

Recommendation

We recommend that COE implement policies and procedures to ensure that intergovernmental voucher are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Agency Contact

Virginia Lane, Support Services Administrator (302) 739-4277

Finding Status

Not corrected or partially corrected.

Status

The COE has instituted a policy stating that two authorized signers must sign all transactions and those authorized signatures be maintained on file in compliance with the State Budget and Accounting Policy Manual. The COE has also implemented policies and procedures to insure that intragovernmental vouchers are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Anticipated Completion Date

September 2007

Finding Number: 06-COE-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-COE-02
Program: 90.401 Election Reform Payments

Condition

Although the Department of Elections is exempt from State procurement law, the U.S. Election Assistance Commission did not provide an exemption to COE regarding federal procurement, suspension, and debarment policies. As a result, COE is required to comply with federal regulations/requirements when procuring materials/services with federal funds.

Total voting machine and voting machine upgrade expenditures for the program for fiscal year 2006 totaled \$1,398,602.

Recommendation

We recommend that COE implement internal control policies and procedures to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Agency Contact

Virginia Lane, Support Services Administrator (302) 739-4277

Finding Status

Not corrected or partially corrected.

Status

The COE intends to adhere to the federal procurement laws. Therefore, the COE has developed a sole source statement and it is maintained in the vendor file in the office. That statement or the RFP process will guide any future voting machine purchases.

Anticipated Completion Date

September 2007

Finding Number: 06-COE-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-COE-03
Program: 90.401 Election Reform Payments

Condition

The SF-269 Forms submitted in FY2006 reported current year outlays of \$932,658, which differed by \$943,760 from supporting documentation within DFMS (amount was underreported). In addition, cumulative outlays to date were reported as \$2,017,970, \$256,138 lower than the supporting documentation from DFMS (amount was also underreported).

We noted that for these SF-269 Forms, COE uses internal expenditure spreadsheets in Excel to track the amount of grant expenditures during the reporting period. We further noted that these Excel spreadsheets netted encumbrances against actual expenditures. As a result, the source documentation of amounts reported in the SF-269 Forms were not validated against DFMS for accuracy and completeness of grant expenditures reported.

In addition, the SF-269 Forms were completed for the wrong reporting period. The reports submitted were based on calendar year activity (January 1, 2005 to December 31, 2005); however, per terms of the grant agreement, these reports are required to be submitted for the federal fiscal year (October 1, 2004 – September 30, 2005). We further noted that reports were not completed and submitted to EAC within six months of the federal fiscal year end with the Annual Report as required per terms of the grant agreement. The reports were submitted in September 2006.

Recommendation

We recommend that COE implement internal controls, including reconciliation of internal spreadsheets to DFMS, to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.

We further recommend that COE submit revised SF-269 Forms to the U.S. Election Assistance Commission.

Agency Contact

Virginia Lane, Support Services Administrator (302) 739-4277

Finding Status

Not corrected or partially corrected.

Status

The COE has implemented internal controls, including reconciliation of internal spreadsheets to DFMS, to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.

Anticipated Completion Date

September 2007

Finding Number: 06-CSE-01
Fiscal Year: 2006
Related Prior Findings: 04-CSE-01, 05-CSE-01
Current Year Findings: 07-CSE-01
Program: 93.563 Child Support Enforcement

Condition

In the prior year, we recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. We further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity and support obligations.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2006.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Worklist management initiative
- Training initiative
- Redistribution of caseloads
- New DACSES system

Agency Contact

Guy Perrotti, Midge Holland, Linda Murphy, Eric Pusey (302) 326-6020

Finding Status

Not corrected or partially corrected.

Status

Worklist Management Initiative

Phase I: Eliminate the creation of duplicate worklist items. *Completed 9/5/04*

Phase II: Consolidation of the creation of the worklist items, including a new hierarchy of the worklist items. *Completed 4/17/05*

Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers.

DCSE has completed Phase I, II and most recently on June 21, 2007, Phase III. Training for all staff on this phase has also been completed.

Phase IV: All processes and worklists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to worklist items. *Projected completion - 10/15/07.*

Phase V: Evaluation - clean up and assessment of this management initiative will be completed by 12/2007.

Completion of the total Worklist Management initiative is projected for Dec. 2008 (significant amount of time is required for data cleanup as this is the final phase).

Training Initiative

DACSES Worklist Management training was conducted statewide with division employees on June 9, 2006 and June 21, 2006. In accordance with this recommendation, the training was part of the ongoing worklist management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines.

The training was developed to enable staff to be able to navigate and manage a worklist utilizing the new functionalities in the Worklist Management screen.

Redistribution of Caseloads

DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a child support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment activities. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.

There will be two exceptions to the Caseload Redistribution Initiative identified in the preceding paragraph. There will be dedicated workers to handle Foster Care cases and cases in whereby the Non-Custodial Parent resides out of state (also known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.

Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases.

The DACSES programming required to support Caseload Redistribution is scheduled to be completed by September 2007, therefore, the Caseload Redistribution Initiative is scheduled for completion in October 2007.

New DACSES System

Below are summary of plans for the implementation of a child support information system to replace DACSES:

1. The DACSES database conversion project was completed ahead of schedule in February 2006.
2. The contract for the Feasibility Alternatives and Cost/Benefit Analysis necessary to begin the process to replace DACSES was awarded in February 2006.
3. The DACSES Reengineering Federal Feasibility Study was completed and submitted to the Office of Child Support Enforcement (OCSE) on May 14, 2007. The OCSE has preliminarily reviewed and provided follow-up questions of the study to DCSE in June 2007. One of the deliverables for the study will be a draft RFP for development and implementation of the replacement system. Site visit by the OCSE will commence in late July, early August.
4. The implementation phase of the DACSES replacement is scheduled to begin May 2008.

Anticipated Completion Date

June 2009

Finding Number: 06-CSE-02
Fiscal Year: 2006
Related Prior Findings: 04-CSE-02, 05-CSE-02
Current Year Findings: 07-CSE-01
Program: 93.563 Child Support Enforcement

Condition

In the prior year, we recommended that DCSE enhance the Delaware Automated Child Support Enforcement System (DACSES) computer system to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

We further recommended that DCSE replace its outdated DACSES system with a computer system that could better facilitate the establishment of medical support obligations.

Although DCSE is in the process of implementing its corrective action plan, for the year ended June 30, 2006, we were unable to test compliance with this requirement, as appropriate documentation of establishment of medical support obligations was not maintained.

Recommendation

We recommend that DCSE continue to implement its corrective action plan which includes:

- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- National medical support notice
- New DACSES system

Agency Contact

Guy Perrotti, Midge Holland, Linda Murphy, Eric Pusey (302) 326-6020

Finding Status

Not corrected or partially corrected.

Status

Division of Child Support Enforcement/Division of Social Services interface:

Work has continued on systems enhancements that will assure that pertinent information regarding the custodial and non-custodial parent's health insurance coverage is transmitted by DCSE to the Division of Social Services (DSS) and Division of Medicaid and Medical Assistance (DMMA). The electronic transmission will be effected via an extract file and batch process. DCSE has completed the programming changes necessary for the enhanced interface in DACSES. However, DSS has reported that the changes to DCIS necessary to implement the interface have been started, but they have no date for completion.

DCSE recently met with staff from the DMMA to begin exchanging information and ideas on improving the flow of medical insurance information between the two agencies. DCSE has been and continues to meet with representatives of both DSS and DMMA to develop training for DCSE staff on accessing and use of the Medical Management Information System. DACSES will be augmented to allow for the inclusion of addition medical support data to the extent possible given the systems current limitations. The DACSES replacement system will be designed with a robust medical support tracking and enforcement system

New Post-Court DACSES Screen:

In order to facilitate the entry of important post-court information into DACSES, a DCSE workgroup developed recommendations for a new DACSES screen that would serve as a single point of entry for such information. Among the information to be entered via the post-court screen will be data regarding all relevant health insurance coverage. While the post court screen is still considered a valuable tool for DCSE workers, finding the programming resources to develop and test the screen have proved difficult. Since the data necessary for the medical interface is currently captured in other areas of DACSES, the implementation of the post–court screen has been deferred until implementation of the replacement to DACSES.

National Medical Support Notice:

The Division of Child Support Enforcement continues to work with the Federal Office of Child Support Enforcement and state partners such as the Division of Social Services (DSS) and Division of Medicaid and Medical Assistance (DMMA) in an effort to implement a National Medical Support Notice process. DCSE currently issues a medical support notices and monitors the sending and return receipt of responses from employers.

New DACSES System:

Below is a summary of plans for the implementation of a child support information system to replace DACSES:

1. The DACSES database conversion project was completed ahead of schedule in February 2006.
2. The contract for the Feasibility Alternatives and Cost/Benefit Analysis necessary to begin the process to replace DACSES was awarded in February 2006.
3. The DACSES Reengineering Federal Feasibility Study was completed and submitted to the Office of Child Support Enforcement (OCSE) on May 14, 2007. The OCSE has preliminarily reviewed and provided follow-up questions of the study to DCSE in June 2007. One of the deliverables for the study will be a draft RFP for development and implementation of the replacement system. Site visit by the OCSE will commence in late July, early August.
4. The implementation phase of the DACSES replacement is scheduled to begin May 2008.

Anticipated Completion Date

June 2009

Finding Number: 06-CSE-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.563 Child Support Enforcement

Condition

The information necessary to audit interstate cases is maintained in the DACSES system and in hard copy files. It has been determined that the DACSES system was not being subjected to audit as the system is being updated. Therefore, testing the interstate information received from other state IV-D agencies, using DACSES, was not performed.

Recommendation

We recommend that the Division of Child Support Enforcement continue to make progress on updating the system.

Agency Contact

Guy Perrotti and Linda Murphy (302) 326-6024

Finding Status

Fully corrected.

Status

The Division of Child Support Enforcement (DCSE) disagrees with this finding. DCSE maintains that there is adequate information contained in the DACSES system to test compliance with federal regulations for interstate services when combined with valid information contained in the hard copy files.

DCSE staff maintains information in the DACSES system, hard copy case files and logs for Interstate cases. The information that is currently housed in DACSES for Interstate cases includes paternity information, all relevant documentation, birth records, social security information, receipt dates, case acknowledgements, and status updates.

All interstate mail correspondence continues to be processed via the Central Registry mailbox and staff in the Central Registry Unit. The use of electronic logs to record and track the processing of all relevant correspondence also continues via DACSES. Staff that initially process and log Central Registry mail remain separate from staff that ultimately assesses the correspondence for appropriate case action.

Moreover, for completeness and to allow for an assessment of relevant timeliness issues, all initial and subsequent Interstate case mail correspondence are maintained by DCSE in the appropriate central case file.

Finding Number: 06-CYF-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-CYF-01
Program: 93.658 Foster Care – Title IV-E

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

“Delaware’s cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware’s cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware’s claims for Title IV-E administrative and training costs developed under plan 95-2.”

The report further states that:

“The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates’ case management costs...during the quarters ended December 1999 through June 2003.”

And that:

“Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan.”

The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State “...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates.”

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2005 through June 30, 2006), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2006 were \$3,070,530, representing 55.6% of the total program costs of \$5,514,525.

The federal Health and Human Services Inspector General's office audited the Department's allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562, which it concurred with in a letter dated May 25, 2005, included as an appendix to that report.

Agency Contact

Harry Roberts (302) 892-4534

Finding Status

Not corrected or partially corrected.

Status

DSCYF had previously submitted a foster care candidacy documentation proposal (on 6/18/04) designed to address issues contained in the report, met with the Region III office (RO) of the DHHS Administration for Children and Families to discuss the proposal (on 3/17/05), and on 5/13/05 DSCYF provided answers to questions posed by the RO at the 3/17/05 meeting and requested the RO's approval to run a pilot of the foster care documentation system and subsequently continued to reach out to the RO by requesting a follow up meeting to resolve the various issues surrounding the proposal and audit findings. Since DSCYF's response to the FY-05 single audit last year, and in response to our continued efforts to establish a meeting with the RO to discuss the findings and the implementation of the OIG report recommendations, the RO met with DSCYF on 1/11/07 to restart discussions on these issues. As a result, the RO and DSCYF have begun the process of working through the issues outlined in the audit report with a target of submitting an amended Cost Allocation Plan (CAP) in late 2007 with successful CAP negotiations concluded in early 2008 (target). It should also be noted that on 4/2/07 DSCYF sent a check to the DHHS/ACF central office in the amount of \$5,859,542 in repayment of the disallowance cited in that recommendation.

Anticipated Completion Date

Early 2008

Finding Number: 06-CYF-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-CYF-02
Program: 93.658 Foster Care – Title IV-E

Condition

During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program in Newark, Delaware.

The purpose of the Title IV-E foster care eligibility review was (1) to determine if the State was in compliance with the child and provider eligibility requirements as outlined in 45 CFR 1356.71 and Section 472 of the Act; and (2) to validate the basis of the State's financial claims to ensure that appropriate payments were made on behalf of eligible children and to eligible homes and institutions.

A review of a sample of 80 cases was drawn from a universe of Title IV-E payments for the review period October 1, 2005 to March 31, 2006. The review team determined that 6 cases were ineligible for Federal funding. Since the number of error cases exceeded 4, ACF has determined that the State of Delaware's Title IV ACF has concluded that the State of Delaware's Title IV-E Foster Care maintenance program was not in substantial compliance with federal child and provider eligibility requirements for the period October 1, 2005 through March 31, 2006.

The financial penalty to be taken for this primary review will be for the payments, including the administrative costs, associated with the 6 error cases and 3 ineligible payments as indicated below:

Six Error Cases: FFP

Maintenance payments	\$	42,991
Administrative costs		49,945
		<hr/>
Total	\$	92,936
		<hr/> <hr/>

Three Non-Error Cases with Ineligible Payments: FFP

Maintenance payments	\$	2,606
Administrative costs		8,872
		<hr/>
Total	\$	11,478
		<hr/> <hr/>
Total disallowance	\$	104,414 FFP

Recommendation

We recommend that controls surrounding foster care provider approval be improved to ensure that approval requirements are met and periodically reviewed in accordance with State policies.

Agency Contact

Harry Roberts (302) 892-4534

Finding Status

Not corrected or partially corrected.

Status

In response to the findings resulting from the Title IV-E eligibility review conducted in August 2006 and required by ACF, DSCYF submitted a Program Improvement Plan (PIP) to Region III on 12/14/06. Region III provided comments on DSCYF's PIP on 1/04/07. DSCYF incorporated Region III's suggested modifications into the PIP and resubmitted it for their approval on 1/19/07, which they subsequently approved April 5, 2007.

The action steps included in Delaware's PIP are the responsibility of the Office of Children's Services, Office of Child Care Licensing, the Client Eligibility Determination Unit and Client Payments unit of DSCYF and the Family Court.

Anticipated Completion Date

February 28, 2008

Finding Number: 06-DEM-01
Fiscal Year: 2006
Related Prior Findings: 04-DEM-03, 05-DEM-01
Current Year Findings: 07-DEM-03
Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Condition

Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries are charged to the grant. In prior years, there were no personnel activity reports that reflected after-the-fact distributions of the actual activity on the grants charged. In the prior year, we noted that the Delaware Emergency Management Agency (DEMA) was in the process of implementing the Corrective Action Plan from the prior year audit and should continue with such implementation. DEMA implemented procedures in the third quarter of the current fiscal year to have employees complete an "effort certification" which is used as the basis to adjust budgeted amounts charged to the programs to actual in accordance with the requirements of OMB Circular A-87, Attachment B.11.h.4 (e). Budgeted allocation percentages are reflected on the employees' time sheets and in the State's PHRST payroll system. In our sample of 30 payroll transactions, we noted that the allocation percentages for 5 employees were appropriately adjusted on their timesheets in January 2006; however, the allocation percentages were not updated in the PHRST payroll system until the beginning of April 2006.

Recommendation

DEMA implemented the corrective action plan from the prior year audit. However, DEMA needs to implement controls to ensure that the allocation percentages established by DEMA are properly reflected in the PHRST payroll system. Additionally, DEMA should ensure that the payroll amounts reported in DFMS are adjusted to reflect the correct allocation percentages prior to posting adjustments between budgeted and actual costs to DFMS (adjustments may be made annually per OMB Circular A-87, Attachment B.11.h.5 (e)(ii) as long as the quarterly comparisons conducted by DEMA continue to show the differences between budgeted and actual costs being less than ten percent).

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Not corrected or partially corrected.

Status

Regardless of the funding splits shown on the LAP Report, the DEMA Fiscal Section is adjusting the percentages to correctly reflect what the current splits should be. We are working with DSHS Human Resources (HR) to get the PHRST database corrected on both the HR and payroll sides.

Because the State's new Time and Labor System implementation has been delayed, we have developed new in-house times sheets that will go into effect the first pay period of 2007 (January 1, 2007 through January 20, 2007). This will allow the division to better track employees' hours against the correct grant program. The new timesheets will have the employee record their work hours on a bi-weekly basis directly to the grant being worked. The time sheet will basically mirror what the Time and Labor Module is supposed to look like at

implementation. Employees will post their hours to the grant being worked on a particular day and corrections will be made in accordance with the OMB Circular versus the percentages established in the payroll system (PHRST). Corrections will be made via an EX document.

Anticipated Completion Date

September 15, 2007

Finding Number: 06-DEM-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 16.007 Homeland Security Cluster
 97.004
 97.042
 97.067

Condition

Amounts reported for the Homeland Security Cluster are as follows:

		CFDA no. 16.007	CFDA no. 97.067	#	CFDA no. 97.004	Total homeland security Cluster
SF-269 Forms	\$	2,671,213	3,784,819		8,721,525	15,177,557
DFMS		2,761,213	3,784,819		7,747,956	14,293,988
SEFA		2,755,931	3,879,114		8,868,826	15,503,871

Variances between SF-269 Forms, DFMS, and the SEFA are discussed below:

Total fiscal year expenditures for CFDA Number 16.007 reported on SF-269 Forms of \$2,671,213 agreed to amounts recorded in DFMS. The amount included on these SF-269 Forms did not agree to the amount recorded on the June 30, 2006 Schedule of Expenditures of Federal Awards (SEFA) of \$2,755,931, resulting in a difference of \$84,718. This difference relates to an intrastate sub-grant to the State Fire Marshall (SAI#030530020003).

Total fiscal year expenditures for CFDA Number 97.067 reported on SF-269 Forms of \$3,784,819 agreed to amounts recorded in DFMS. The amount included on these SF-269 Forms did not agree to the amount recorded on the June 30, 2006 Schedule of Expenditures of Federal Awards (SEFA) of \$3,879,114, resulting in a difference of \$94,294. This difference relates to an intrastate sub-grant to the State Police (SAI#041208030001, grant of \$32,182) and the Department of Technology and Information (SAI#041208030002, grant of \$62,112).

Total fiscal year expenditures for CFDA Number 97.004 reported on SF-269 Forms totaled \$8,721,525. Amounts recorded in DFMS for CFDA Number 97.004 totaled \$7,747,956 and in the fiscal year 2006 SEFA totaled \$8,868,826, a difference of \$973,569 and \$(147,301), respectively, from the amounts in the financial reports. These differences are the result of intrastate sub-grants and clerical errors.

Recommendation

DEMA prepared a detailed reconciliation of all expenditures incurred to date and adjusted the SF-269 Forms for the quarter ended September 30, 2006 to include the grant expenses not previously reported. Additionally, DEMA revised its procedures to compile the SF-269 Forms. We recommend that DEMA follow its revised procedures for preparing future Financial Status Reports. Additionally, DEMA should request other state agencies receiving sub-grants provide copies of their DFMS reports to ensure amounts are reported in the proper quarter.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully corrected.

Status

DEMA has corrected and re-submitted SF 269's. DEMA has developed a reconciliation spreadsheet to be used for all future SF 269 submissions. This is to insure all expenses are captured correctly and in a timely manner. An e-mail is being prepared to send to other state agencies preparing reimbursement requests to be processed through Cash Adjustment (CA) Documents. We will ask that monthly copies of their budgetary activity reports be attached to all reimbursement requests to validate expenditure and reimbursements.

Finding Number: 06-DEM-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DEM-01
Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Condition

DEMA is required to pass through 80% of grant funds to local units of government. DEMA provides funds to over 200 local governmental units, which represent over 9,000 first responders, either by procuring equipment and transferring such equipment to the subrecipients or by providing formal sub-grants to subrecipients to procure specialized equipment. DEMA has incorporated OMB A-133 audit language into its formal sub-grant agreements but has not included such language in its agreements used for direct transfers of equipment. DEMA had no subrecipient monitoring procedures in place during the 2006 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133. As a result, subrecipient audit reports were not obtained or reviewed in accordance with the above criteria.

Total amounts passed through to subrecipients for fiscal year 2006 were \$254,988.

Recommendation

We recommend that DEMA add the appropriate audit language in its Memorandum of Understanding (MOU) agreements used for the direct transfer of equipment to subrecipients, describing the subrecipient's audit requirements under OMB Circular A-133. Additionally, DEMA should implement procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that the appropriate follow-up action is taken on findings, where applicable.

Agency Contact

Tony Lee/Bob Harrison (302) 659-2244

Finding Status

Not corrected or partially corrected.

Status

DEMA has added new language to the MOU's for Equipment purchased for use by the subrecipients stating the requirements of OMB Circular A-133. The need for submission of completed audit reports to DEMA will be emphasized again in an upcoming Information Bulletin to be sent to all customers, as will be the threshold amount of \$500,000 for an audit and how this includes all federal funds received during their FY and not just those received through DEMA.

Anticipated Completion Date

September 15, 2007

Finding Number: 06-DEM-04
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 16.007 Homeland Security Cluster
97.004
97.042
97.067

Condition

KPMG selected 12 of the 46 vendors receiving orders for procurement test work. Of the 12 vendors selected, KPMG noted that 5 were processed as “Sole Source” purchases in compliance with state procurement policies. However, DEMA did not verify that these 5 vendors were not suspended or debarred.

DEMA passes funds through to other local governmental units either by procuring equipment and transferring such equipment to the entities or by providing formal sub-grants to the entities to procure specialized equipment. KPMG noted that although DEMA included suspension and debarment language in all formal sub-grants, DEMA did not include such language in its Memorandum of Understanding (MOU) used to transfer equipment procured by DEMA to local governmental entities units.

Recommendation

We recommend that DEMA add procedures to ensure that the required suspension and debarment verification procedures are also performed for sole source procurement transactions and add suspension and debarment language to its MOU's for equipment transferred to subrecipients.

Agency Contact

Tony Lee/Bob Harrison (302) 659-2244

Finding Status

Fully corrected.

Status

DEMA has added new language to both MOU's for Equipment and Sole Source letters addressing the suspension and debarment issue. Additionally, this will be addressed in an upcoming Information Bulletin to be sent to all customers.

Finding Number: 06-DEM-05
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DEM-01
Program: 97.036 Public Assistance Grants

Condition

DEMA does perform monitoring of its subrecipients through reporting, site visits, and regular contact. However, DEMA had no procedures in place during the 2006 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133. The total amount earned by the 11 subrecipients for fiscal year 2006 was \$2,763,792.

Recommendation

We recommend that DEMA implement procedures to ensure that subrecipient audit reports are obtained on a timely basis, and that appropriate follow-up is taken on findings, where applicable.

Agency Contact

Ed Durst/Shirley Lee (302) 659-3362

Finding Status

Not corrected or partially corrected.

Status

The Natural Hazards section prepared and mailed letters to all subrecipients outlining their audit responsibilities as stated in OMB Circular A-133.

Anticipated Completion Date

September 15, 2007

Finding Number: 06-DMMA-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DMMA-01
Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Condition

KPMG tested 30 TPL claims identified in FY06 and noted that the State's third party service provider sought reimbursement from at least one insurance provider for all claims tested. However, KPMG was unable to determine the extent to which reimbursement was sought for claims with open reimbursement status. This represents 9 out of the 30 claims reviewed. KPMG also noted that the State does not currently communicate with the service provider regarding the status of open claims and does not monitor the claims collections process.

Recommendation

The State is currently in the process of developing a TPL policy manual. KPMG recommends that the manual include specific language as to the responsibilities of all parties involved and that the policies noted in the manual be immediately implemented by the State.

Agency Contact

Nicole Johnson (302) 255-9546

Finding Status

Not corrected or partially corrected.

Status

The Division will interview EDS/HMS to identify and document the internal processes employed to monitor the extent of collection efforts on a monthly basis on each claim. Furthermore, we will periodically update the Third Party Liability Section of the Policy Manual to reflect operational practices currently in place.

The Third Party Liability Policy Manual has been updated and implemented to reflect operational practices currently in place.

Anticipated Completion Date

December 2007

Finding Number: 06-DMMA-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Condition

For 1 of 30 claims selected for test work, KPMG noted that the Fee for Service benefit payment made by the State was paid at the prior year (calendar year 2005) rate instead of the newly approved claim rate due to an MMIS system error. While the prior year rate was \$1.30 below the newly approved calendar year 2006 rate, thereby in compliance with allowable costs requirements, there is a risk of non-compliance if a similar system error occurred and the new rate was significantly below the old rate. A query of the MMIS system was performed in order to determine the extent of over and under payments that resulted from provider payments made on the date that this error was noted.

Recommendation

The system error should be corrected. Information Systems personnel should perform a review in order to determine if similar errors occurred at other dates during the year when rates were changed.

Agency Contact

Beth Laucius (302) 255-9525

Finding Status

Fully corrected.

Status

No corrective action plan to modify the MMIS is needed for this item. As explained previously, rates are updated in the MMIS for different reasons at different intervals. Sometimes the date on which the new rates are implemented in the MMIS is after the effective date of the new rate. Unless specified in the Medicaid State Plan, DMMA internal written procedures, or mandates by a governing authority, it is up to the State's discretion as to whether a mass adjustment will be authorized to reprocess previously paid claims. In making this decision, the State considers a number of factors, including the dollar impact of the mass adjustment, the number of claims affected, the cost of processing the mass adjustment, the number of providers affected, etc. The claim in question involves the Resource-Based Relative Value Scale (RBRVS) rates; these rates are used primarily for physician and lab services and are based on the annual Medicare rates for those same services. Generally in updating the RBRVS rates, and as was determined in this case, the financial impact from the rate change is not as great as the administrative considerations. DMMA will revise its internal written procedures to indicate the factors utilized to determine whether to perform a mass adjustment when new rates are implemented.

The Mass Adjustment Procedures were revised to indicate the factors utilized by management to determine whether to perform a mass adjustment when new rates are implemented. They were disseminated to staff on May 21, 2007.

Finding Number: 06-DMMA-03
Fiscal Year: 2006
Related Prior Findings: 04-DSS-01, 05-DSS-01
Current Year Findings: 07-DMMA-02
Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Condition

In the prior year, we recommended that DMMA/DSS/DMS develop policies and procedures regarding the refund of provider overpayments collected via check to ensure that such amounts are appropriately refunded within 60 days of identification of the overpayment. We understand that starting in June 2005 the department began reducing their MA federal reimbursement on a quarterly basis for overpayments that were over 60 days old and not collected.

In the current year we reviewed 30 provider overpayments identified during the year and noted that the State has not yet implemented a process to appropriately account for individual provider overpayments collected via check. While the State does reduce the reimbursement from the MA program by way of summary level cash collections reports, there is currently no way to track individual checks received in order to ensure that cash collections are properly accounted for and managed.

Recommendation

We continue to recommend that DMMA implement procedures to track individual provider overpayments collected via check. This will ensure that reports currently used by DHSS to determine federal reimbursement credits are complete and accurate.

Agency Contact

Melody Lasana/Greg Roane (302) 255-9235/ (302) 255-9530

Finding Status

Not corrected or partially corrected.

Status

An internal request for changes in our MMIS system to rectify this situation was made last year. Due to mandated changes from CMS for the National Provider Identifier (NPI) program this request has been delayed.

A change control has been completed, approved and is in production as of June 30, 2007.

Anticipated Completion Date

July 2007

Finding Number: 06-DMMA-04
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Condition

Three of the 5 provider files selected for review by the Medicaid Surveillance Utilization and Recovery Unit (SUR) were not audited by the Managed Care and Quality Assurance Unit. Unit personnel review claims for coding error, quality of care and the appropriateness of services billed.

Recommendation

The State should implement policies and procedures to ensure that the Managed Care and Quality Assurance Unit have adequate resources to perform timely claims reviews.

Agency Contact

Denise Dugan (302) 255-9646

Finding Status

Fully corrected.

Status

A nurse performs these reviews and during this review period there was a shortage of nurses on staff. DMMA will pursue staffing requirements and other options to perform timely claims reviews.

The SUR unit will work with nurses in the Managed Care Organization (MCO) and Claims areas in an effort to reduce or eliminate the current backlog. Additional resources will be made available and dedicated to reduce this initiative.

Finding Number: 06-DMS-01
Fiscal Year: 2006
Related Prior Findings: 04-DMS-01, 05-DMS-01
Current Year Findings: None
Program: 10.551,
 10.561 Food Stamp Cluster
 93.558 Temporary Assistance for Needy Families
 93.596 Child Care Cluster
 93.767 State Children's Health Insurance Program
 93.775,
 93.777,
 93.778 Medical Assistance Cluster

Condition

The DCIS II system assists with eligibility determination for the Medicaid, TANF, Food Stamps, and SCHIP programs, and the CCMIS system assists with eligibility determination for the Child Care cluster.

An agreed-upon procedures engagement was conducted for the Office of the Auditor of Accounts that had the following objectives:

- Gain an understanding of the input data editing and completeness controls for the DCIS II and CCMIS Systems.
- Determine the adequacy of the system access security controls.
- Determine the adequacy of the program change controls.
- Determine the adequacy of the physical security controls.

Findings and recommendations were identified relating to the following areas as follows:

User Access

Testing of 25 users out of approximately 1,500 users defined with access to the DCIS II System, 13 of 33 users with only access to the CCMIS System, all 13 users with DB2 Inquiry access to the DCIS II System, and all 9 users with DB2 Inquiry access to the CCMIS System (total of 60 users) disclosed the following:

Of the 25 DCIS II System user IDs tested, eight users terminated their employment with the State (one of the users actually terminated his/her employment in 1999), but their user IDs were still defined to the system.

The report noted that user IDs were not being removed from the DCIS II System. Therefore, testing was performed to determine whether all of the user IDs that were noted as being for terminated employees during the 2005 review were deleted from having access to the DCIS II and CCMIS Systems by determining if they were still defined to the two systems. The testing noted that 8 of the terminated employees' DCIS II System user IDs were still defined to the system and 4 of the terminated employees' CCMIS System user IDs were still defined to the system.

In addition, testing was performed to determine whether the user IDs were on the report showing user IDs that have not been used in 6 months or more and it was noted that only one of the user IDs was on the report. Testing was then performed to determine whether the user IDs were being used by another employee and found that one user ID was assigned to another employee. In addition, for 7 of the remaining 10 user IDs there is no record in the RACF System of the user IDs being assigned. This could result in these user IDs being reassigned to

someone else and the new user being given access to the DCIS II System, but the DCIS II System's access report not reflecting the new employee's name.

Failure to delete a user's ID on a timely basis when an employee terminates his/her employment allows for the possibility that the user's ID could be used by another user, if the terminated employee made his/her password known to another employee. This could result in unauthorized access being gained to the Production DCIS II System and CCMIS System without any user accountability.

Access to the ChangeMan System

The report noted that the Department of Technology and Information (DTI) users have full access to the ChangeMan System, which could result in them moving a program into the Production environment. Security Best Practices for program change control recommend that updates to the Production program libraries only be done by those users specifically authorized to perform this task.

Recommendation

User Access

The report recommended that DHSS management perform a complete review of all the user IDs with access to the DCIS System and the CCMIS System to ensure that every user ID has the correct name of the employee currently using the user ID as well as that properly completed user authorizations forms are on file. In addition, we recommend that, once the user ID cleanup is completed, user IDs should not be reassigned after an employee terminates his/her employment with the State.

Access to the ChangeMan System

The report recommended that the access granted to the DTI users to the various levels within the ChangeMan System be changed to be no more than Inquiry unless the access is required to perform a specific function. At the minimum, the access for the DTI users to the Approver level should be reduced to Inquiry.

Agency Contact

Michael Smith/Vince Taylor (302) 255-9162/(302) 255-9214

Finding Status

Fully corrected.

Status

User Access

DHSS has performed all corrective actions noted in the report. Reports are now generated the first business day of the month and transmitted for timely removal of terminated users' ID's.

Access to the ChangeMan System

As noted in the September 2006 reply, rules from the Administration for Children and Families (ACF) were changed to allow DTI user inquiry access only.

Finding Number: 06-DNG-01
Fiscal Year: 2006
Related Prior Findings: 03-DNG-02, 04-DNG-01, 05-DNG-01
Current Year Findings: None
Program: 12.401 National Guard Military Operations and Maintenance Projects

Condition

We noted in the prior year that the Delaware National Guard had federal grants open dating as far back as fiscal year 1990. While there were no charges being made against the older grants that violated period of availability per the Cooperative Agreement with the Department of Defense, a grant can only be open for a maximum of five years. After this period, a grant must be closed out. For fiscal year 2006, only grants entered into in fiscal year 2002 should remain open.

We recommended in the prior year that the Delaware National Guard review all open grants and close out grants over five years old to ensure they are in accordance with the Cooperative Agreement and the period of availability. Per the agency's Summary Status of Prior Year Findings, this recommendation was not implemented as of June 30, 2006.

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Agency Contact

Art Caldwell (302) 326-7160

Finding Status

Fully corrected.

Status

All of the federal grants cited going back to fiscal year 1990 were closed during State Fiscal Year 2007, and accordingly all of these old grants were appropriately deleted from the Delaware Financial Management System (DFMS) effective June 30, 2007. The Delaware National Guard became compliant with the requirement that it no longer have any federal grants open that had been outstanding for 5+ years as of the end of State Fiscal Year 2007.

Finding Number: 06-DNG-02
Fiscal Year: 2006
Related Prior Findings: 04-DNG-02, 05-DNG-02
Current Year Findings: None
Program: 12.401 National Guard Military Operations and Maintenance Projects

Condition

We noted that the Delaware National Guard does not apportion Army operations and maintenance (O&M) employees' salaries and benefits based on facility reimbursement rate and time spent at facility. We recommended in the prior year that the Delaware National Guard implement policies and procedures that allow them to properly apportion O&M salaries and benefits based on facility reimbursement rate and time spend at each facility. However, as per the agency's Summary Status of Prior Year Findings, the corrective action has not yet been implemented as of June 30, 2006.

For the fiscal year ended June 30, 2006, the O&M salaries charged 100% to the cooperative agreement were \$338,751 (benefits were an additional \$143,861) and O&M salaries charged 75% to the cooperative agreement were \$136,331 (benefits were an additional \$61,929).

Recommendation

We recommend that the Delaware National Guard continue to implement its corrective action plan.

Agency Contact

Art Caldwell (302) 326-7160

Finding Status

No longer warranting further action.

Status

The Delaware National Guard received a waiver from the federal United States Property and Fiscal Officer for the State of Delaware based on the fact that it would not be cost effective to track the amount of daily hours that Federal funded State maintenance employees spend working on State facilities. That is because there are about an equal number of State funded maintenance employees who also perform a significant amount of hours at the large number of federal National Guard facilities in Delaware. It was agreed by the U.S. Property and Fiscal Officer for Delaware that it would not be cost effective to track and cost out payroll salaries, taxes, and benefits on all of the significant number of hours worked at each facility by twenty (20) Federal funded and State funded employees during each fiscal year.

Finding Number: 06-DNR-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 66.001 Air Pollution Control Program Support

Condition

For 10 out of 13 transactions selected for test work, we noted that there was not evidence of approval of the transaction by two authorized signers. These transactions were only signed by one authorized individual to evidence review and approval of the transactions prior to processing. We did note, however, that all transactions tested were for allowable expenditures. The total dollar value of these transactions was \$1,721. The total dollar value of the 13 transactions was \$3,086.

Total purchase vouchers processed by the program for the year ended June 30, 2006 totaled \$153,033. Total expenditures for the program were \$1,163,136.

Recommendation

We recommend that DNREC Division of Air & Waste Management reinforce its policies and procedures to ensure that all transactions charged to the grant are reviewed and signed by two authorized signers prior to processing of the transaction.

Agency Contact

Janice A. Sunde (302) 739-9496

Finding Status

Fully corrected.

Status

The signature policy has been reviewed and changed to insure two signatures on all fiscal documents.

Finding Number: 06-DNR-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 66.460 Nonpoint Source Implementation Grants

Condition

Nonpayroll Transactions

Three of 30 nonpayroll transactions selected for test work, totaling \$588 were not signed by two authorized signers, as required by the Department policies and the State Budget and Accounting Policy Manual. The total dollar value of the 30 transactions was \$119,680. These transactions were for allowable expenditures and did fall within the period of availability.

Total nonpayroll transactions (PV's) processed by the program for the year ended June 30, 2006 totaled \$1,194,489.

Intrastate Transactions

One of the 18 intrastate transactions selected for test work, totaling \$2,706 was not signed by two authorized signers, as required by the Department policies and the State Budget and Accounting Policy Manual. Two of the 18 intrastate transactions tested, totaling \$369, did not have adequate supporting documentation. The total dollar value of the 18 transactions was \$315,638. These transactions were for allowable expenditures and did fall within the period of availability.

Total intrastate transactions (IV's, JV's, and EX's) processed by the program for the year ended June 30, 2006 totaled \$345,157.

Recommendation

We recommend that DNREC implement policies and procedures to ensure that payment vouchers and intergovernmental vouchers are appropriately approved in accordance with State and agency policy and that appropriate supporting documentation is maintained with all processed transactions.

Agency Contact

Brian M. Leahy (302) 739-9921

Finding Status

Fully corrected.

Status

The policies and procedures referenced in the recommendation were completed by June 30, 2007. They were signed and included in the Division's Policy Manual on 7/1/2007 under Policy #SW-1001 Signature Policy and SW-1002 Fiscal Approval Policy. Appropriate personnel have been informed of the new procedures.

Finding Number: 06-DNR-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 66.460 Nonpoint Source Implementation Grants

Condition

DNREC uses an Excel spreadsheet that is compiled monthly, which details cumulative DFMS amounts as well as the cumulative State match (DFMS and in kind match amounts), in the preparation of SF-269 forms. The supporting DFMS screen prints and information is not maintained with the reports. Based on review of DNREC spreadsheets and DFMS reports, we were able to validate cumulative federal and state share amounts as well as the cumulative match amounts. However, we were not able to recalculate the current period State share as reported on SF-269 forms for the period October 1, 2004 - September 30, 2005.

Recommendation

We recommend that DNREC implement policies and procedures to ensure that supporting documentation for matching amounts (current reporting period and cumulative) is retained by the agency with respective SF-269 forms to validate the accuracy of match amounts reported on financial reports, as submitted to the EPA.

Agency Contact

Brian M. Leahy (302) 739-9921

Finding Status

Fully corrected.

Status

The policies and procedures referenced in the recommendation were completed by June 30, 2007. They were signed and included in the Division's Policy Manual on 7/1/2007 under Policy #SW-1003 Federal Financial Reporting Policy and Procedures. Appropriate personnel have been informed of the new procedures.

Finding Number: 06-DNR-04
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 66.460 Nonpoint Source Implementation Grants

Condition

DNREC expends federal funds to both vendors and subrecipients. Management could not identify which recipients of funding were vendors and which were subrecipients for our testing purposes. As a result, during our test work procedures, we noted that DNREC was not complying with Procurement, Suspension, and Debarment or Subrecipient Monitoring requirements.

Recommendation

We recommend that DNREC reinforce its policies and procedures to ensure that procurement, suspension and debarment as well as subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We further recommend that DNREC ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

In addition, DNREC should track vendors and subrecipients separately to enable agency personnel to perform the required compliance functions for both procurement, suspension, and debarment and subrecipient monitoring.

Agency Contact

Brian M. Leahy (302) 739-9921

Finding Status

Not corrected or partially corrected.

Status

The policies and procedures referenced in the recommendation were completed by June 30, 2007. They were signed and included in the Division's Policy Manual on 7/1/2007 under Policy #SW-1004 Federally Funded Procurement Policy and Procedures. Training will be provided to the appropriate grant program personnel in August 2007 to ensure compliance with the policy.

Anticipated Completion Date

August 31, 2007

Finding Number: 06-DNR-05
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 15.605, Fish and Wildlife Cluster
15.611

Condition

The United States Department of the Interior, Office of Inspector General (OIG) conducted an audit of the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Delaware (report date August 29, 2006) for the period July 1, 2003 through June 30, 2005 (No. R-GR-FWS-0027-2002).

In its report, it was noted, “the indirect cost rates negotiated by the Department did not restrict the allocations for State central services to 3% of the State’s annual Federal Assistance Program apportionments, as required under the Acts and regulations.”

Recommendation

We recommend that the Division follow the outline provided by OIG in its report to resolve this issue.

Agency Contact

Lynn Herman (302) 739-9911

Finding Status

Fully corrected.

Status

The Division of Fish and Wildlife, as part of the Delaware Department of Natural Resources and Environmental Control’s annual Indirect Cost Rate Calculations uses MAXIMUS, Inc. a private company to determine the cost distribution for each State Fiscal Year (July 1 – June 30)

Each year, the Division of Fish and Wildlife will request MAXIMUS, Inc. to determine if a restricted rate is needed in order to remain in compliance with the 3% rule identified in 50 CFR 80.15 (e). The protocol for determining the need for a restricted rate will be based on the procedure, which will be provided to MAXIMUS, Inc.

MAXIMUS, Inc. will determine if the current rate needs to be a restricted rate based on the actuals from the previous second year (The need for a restricted rate in fiscal year 2009 would be based on fiscal year 2007 actuals).

The Division of Accounting for the State of Delaware has established sub-object codes 01 & 02 for object code 5648 (Indirect Costs) in the Delaware Financial Management System (DFMS) titled Indirect Costs, SWCAP. All statewide indirect costs associated with the Federal Aid Programs will be identified in DFMS using this coding under 5648. A DFMS report query, using the report F25RB305, will allow the Division and auditors to identify the SWCAP distribution of statewide indirect costs recovered from federal grants.

Finding Number: 06-DOA-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DEM-04
Program: 16.007, Homeland Security Cluster
97.004,
97.042,
97.067

Condition

DEMA passes funds through to other State agencies either by procuring equipment and transferring such equipment to the agencies or by providing formal sub-grants to the agencies to procure specialized equipment. Of the 30 pieces of equipment selected for test work, the following items were not properly recorded on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2006 in accordance with the State of Delaware Fixed Asset Accounting Policy:

- State Police: HazProbe 2002 for Andros Kit (F-6A Robot) - \$25,325
- State Police: 2006 Chevrolet, S/N #1GBE5ViG86F410362 - \$40,498
- State Police: Logos Imaging Scanner System 8x17 - \$25,910
- Department of Technology & Information: Netscreen Firewall - \$94,970
- Department of Technology & Information: Intrusion Detection Appliance - \$54,137
- DNREC: Hazmat ID Extended Package - \$82,500

Recommendation

We recommend that the equipment noted above be appropriately recorded in the FAAS. Additionally, we recommend that DEMA implement procedures to provide notification to other State agencies' fiscal personnel when equipment is transferred to those agencies.

Agency Contact

Trisha Neely (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

DEMA's Logistics Section will compile a quarterly list of all equipment purchased through the division and distributed to any state agencies. The Fiscal Section will ensure that all equipment over \$5,000.00 is put in DFMS as a transfer and e-mail the appropriate state agency. Any other equipment purchased through bulk buys for multiple organizations/agencies will be identified as well and a courtesy e-mail will be sent to the appropriate fiscal section to remind them that the equipment needs to be documented in some form of inventory control system (DFMS or otherwise). DEMA will test this procedure in August and again in October. If we capture everything, we will close the finding at the end of October.

The State Police 2006 Chevrolet has been added to the Fixed Asset Accounting System (FAAS) during fiscal year 2007. The HazProbe 2002 and the Logos Imaging Scanner have not been added to the FAAS and will be added by the appropriate agency during fiscal year 2008.

The Department of Technology believes their items are software, and according to the State of Delaware Fixed Asset Policy Manual, they are not to be capitalized unless the amount is over \$1,000,000. For the DNREC HAZMAT ID Package, DNREC feels that this is a software item and have decided not to capitalize this. The Division of Accounting will be inquiring about this item.

The Division of Accounting will also update the Accounting Policy Manuals for Fixed Assets and GAAP Training to emphasize the proper accounting process for the transfer of fixed assets. The proper recording of fixed asset transfers was emphasized in the training sessions during fiscal year 2007.

Anticipated Completion Date

August 31, 2007 – Adding and investigating fixed asset items

October 31, 2007 – Implementation of DEMA procedures

May 1, 2008 – Editing and updating the fixed asset policy manual

Finding Number:	06-DOL-01
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	07-DOL-01
Program:	17.258, Workforce Investment Act 17.260

Condition

We noted that while the Workforce Investment Act (WIA) Program requires employees to complete and sign a monthly payroll sheet with the hours worked, the allocation to federal grants is generated automatically based on budgeted amounts. Time is not allocated to the federal grant according to actual effort.

Total payroll costs charged to the grant for the year ended June 30, 2006 totaled \$2,210,267.

Recommendation

We recommend that DOL implement an ongoing annual time study approved by the U.S. Department of Labor and use to allocate payroll to the various grants accordingly.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Not corrected or partially corrected.

Status

We are currently exploring multiple options for allocating payroll to the various grants.

Anticipated Completion Date

October 2007

Finding Number:	06-DOL-02
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	17.258, Workforce Investment Act 17.260

Condition

We noted during our test work that one individual out of 40 was provided benefits under the Dislocated Worker grant as a dislocated homemaker who did not meet the eligibility requirements. The individual had been dependent on her boyfriend for income, but her boyfriend did not meet the criteria of being a family member. Therefore, criterion (a) from above was not satisfied even though the individual met the criteria for (b) from above and was eligible for aid under WIA.

Recommendation

We recommend that WIA include in their ongoing training instruction as to the specific criteria that must be met for a dislocated homemaker. We also recommend that individuals responsible for reviewing files be instructed to be mindful of this area.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Fully corrected.

Status

We review with staff the specific criteria needed to meet the eligibility requirements for a dislocated homemaker. The manager and supervisor will closely monitor eligibility determinations for all cases and share their findings with their staff at monthly staff meetings.

Finding Number:	06-DOL-03
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	17.258, Workforce Investment Act 17.260

Condition

We noted during our reporting test work that all required reports in our test work sample had been reviewed and approved by appropriate levels of management and that they were accurately stated. However in the process of reconciling the reports to the SEFA it was noted that one of the reports which was not selected as part of our sample, the ETA-9076D - 6/30/06 PY05 Youth Program report, had an overstatement of expenses of \$180,000. This error was not detected and corrected by management until the December reporting. This error was not reflected in the cash drawdown process.

Recommendation

We recommend that WIA implement a stricter review process that includes agreement to supporting documentation.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Fully corrected.

Status

We recognize that an error occurred and we will institute a procedure whereby the carry forward number will be verified against the supporting documentation prior to submission of the subsequent quarterly report.

Finding Number: 06-DOT-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 20.500, Federal Transit Cluster
20.507

Condition

The last two quarterly SF-269A reports for fiscal year 2006 for the Federal Transit Cluster have not been submitted.

Recommendation

We recommend that the Department of Transportation submit the reports for the last two quarters of fiscal year 2006 and implement procedures to ensure that they are completed in a timely manner going forward.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Fully corrected.

Status

Department of Transportation (DelDOT) Finance developed internal control procedures for FTA quarterly reporting in March 2007. The purpose of this policy is to assure timely reporting of expenditures associated with the Federal Transit Administration (FTA). FTA guidelines require direct recipients of Federal Transit Cluster funds to submit a quarterly SF-269A Financial Status Reports.

DelDOT Finance will:

- Schedule monthly meetings with Delaware Transit Corporation's (DTC) Finance unit. This meeting will take place within 10 business days after the close of each month.
- Maintain financial records for FTA expenditures and reimbursements, which will be reconciled with DTC monthly.
- Prepare the SF-269A Quarterly Report within 30 days of the closed quarter.
- Submit the SF-269 Report via TEAM WEB
- Maintain copies of reports and correspondence in the FTA Project Files

DTC Finance will:

- Maintain accurate records of expenditures, milestone progress, and available funds. This will be reconciled with DelDOT Finance monthly.
- Meet with DelDOT monthly to discuss status of expenditures.
- Be available to assist with preparation of the SF-269A Financial Status Reports.

Finding Number: 06-DPH-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DPH-01
Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children
66.468 Capitalization Grants for Drinking Water State Revolving Funds
93.268 Immunization Grants
93.917 HIV Care Formula Grants

Condition

Supplemental Nutrition Program for Women, Infants, and Children

For payroll costs, employees fill out certifications illustrating the amount of time spent on the federal grant. The program started using certifications in February 2006, and the initial effective period was January 1, 2006 through March 31, 2006.

Also, in one of the 43 items tested for the second half of fiscal year 2006, the certification shows the employee has worked less than 100%, for which a true-up of the allocation of the employee's salaries and benefits is necessary, but not carried out.

Capitalization Grants for Drinking Water State Revolving Funds

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 2 of the 15 employees tested, the semi-annual certifications show a percentage less than 100%, for which a true-up of the allocation of the employee's salaries and benefits is necessary, but not carried out.

Immunization Grants

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 16 of the 16 employees tested, no semi-annual certifications were produced by the program. In addition, one employee charged to the program was not on the Immunization Grants payroll nor was there a listing of this position on the personnel summary included in the grant application. This position is 100% funded by another federal program within the Bureau of Communicable Diseases.

HIV Care Formula Grants

For payroll costs, employees fill out semi-annual certifications illustrating the amount of time spent on the federal grant. For 4 of the 4 employees tested, no semi-annual certifications were produced by the program.

Recommendation

We recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant.

Agency Contact

Terrance Zimmerman, Deborah Clendaniel, & Barbara Jarrell (302) 744-4700

Finding Status

Not corrected or partially corrected.

Status

- Division of Public Health (DPH) staff will be meeting with the State's contracted costing vendor to discuss methodologies for determining time and effort reporting.
- DPH will select a method of sampling, cost allocation and determination following discussions with vendor; and implement the sampling and reporting method across programs in the Division.

The initial phase will be addressed in the current fiscal year 2008; however, full implementation will not be until July 2009 with the state ERP project implementation. The Division will seek to put in place a stop gap measure.

The date of implementation of the ERP financial system is currently July 2009.

Anticipated Completion Date

Fiscal Year 2010

Finding Number: 06-DPH-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DPH-07
Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Condition

Information concerning eligibility of individuals who live in the Southern Delaware region is managed in a database controlled by the Southern Tier. However, the Southern Tier does not maintain supporting documentation related to these individuals. Approximately 40% of all eligible participants live in the Southern Delaware region.

Recommendation

We recommend that the WIC Program maintain supporting documentation for all eligible participants at each site for at least a two-year period.

Agency Contact

Joanne White (302) 739-4614

Finding Status

Not corrected or partially corrected.

Status

A data file of all participants for eligibility testing is created and stored at the Biggs Data Center. The data is from January 1, 2007 to the present.

Anticipated Completion Date

December 2007

Finding Number:	06-DPH-03
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	10.557 Supplemental Nutrition Program for Women, Infants, and Children

Condition

The WIC Program has procedures in place to review all Food Instruments (FIs) for redeemed monetary amounts that exceed the maximum monetary purchase amounts and FIs transacted or redeemed after the specified time period. Additionally, the program has procedures in place to follow up on FIs specifically flagged for further review by vendors or the bank that processes the FIs. However, for an eleven-month period during the State's fiscal year, the WIC Program did not review all, or a representative sample of, printed FIs to specifically address whether they have been physically altered.

Recommendation

We recommend that the WIC Program continue to enforce policies and procedures to address physical review of a representative sample of printed FIs to supplement its computerized reviews of FI data.

Agency Contact

Joanne White	(302) 739-4614
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Finding Status

Fully corrected.

Status

A monthly representative sample of printed food instruments is reviewed by WIC State staff to monitor for any physical altering of the food instrument.

Finding Number: 06-DPH-04
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Condition

The WIC Program has 12 clinic sites to determine if individuals qualify for benefits. During fiscal year 2006, the WIC Program visited only one clinic site (Shipley SSC in Seaford).

Recommendation

We recommend that the WIC Program enforce the policy regarding site visits, as noted above.

Agency Contact

Joanne White (302) 739-4614

Finding Status

Fully corrected.

Status

A schedule for clinic reviews in accordance with Delaware WIC policy and procedures is in place, which specifies a site review of 2 sites per year.

Finding Number: 06-DPH-05
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DPH-06
Program: 93.268 Immunization Grants
93.917 HIV Care Formula Grants

Condition

Immunization Grants

The interim FSR completed for award H23/CCH322567-03 for the year ending December 31, 2005, was not submitted within the required 90-day timeframe. This report was submitted on June 9, 2006. In addition, the FSR included expenditures and unliquidated obligations through March 31, 2006, rather than December 31, 2005.

HIV Care Formula Grants

The annual FSR completed for award 2X07HA00081-15-00 for the period ending March 31, 2006, was submitted on January 11, 2007, and included transactions through December 31, 2006. The additional transactions reported from April 1, 2006 through December 31, 2006 amounted to \$878,814 in credits and \$243,178 in expenditures (net of \$635,636), which should have been reported in subsequent periods.

Recommendation

We recommend the program's policies and procedures be amended to ensure that cut-off for financial reporting is proper.

Agency Contact

Iwana Smith (302) 744-4548

Finding Status

Not corrected or partially corrected.

Status

An annual FSR shall be completed 90 days after the grant end date. DPH will use the 90 day financial report to complete annual and/or Final FSRs.

Part of the process will be to liquidate obligations made during the authorized grant period.

Anticipated Completion Date

March 2008

Finding Number: 06-DPH-06
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.268 Immunization Grants

Condition

For 2 of 30 transactions tested, the transaction involved a vendor who was overpaid by \$1,101 from the Immunization Grants Program and underpaid for another federal program within the Department.

Recommendation

The Immunization Grants Program should follow policies and procedures that do not allow expenditures for one federal program to be charged to another federal program. Cost allocation decisions around common vendors should be documented by program personnel who approve the invoices.

Agency Contact

Martin Luta (302) 744-1060

Finding Status

Fully corrected.

Status

The immunization program shall work with the agents responsible for the performance of all contracts to ensure that cost allocation decisions around common vendors are documented by program personnel who approve the invoices.

This will be achieved by having all PO's validated and backed up with appropriate source documents before payments are made.

Grant years overlap the State fund year, as such programs with a combination of funding sources will spend the oldest funds first. All obligations are met for each funding source by the end of the contract and grant year. Because the July 31 date is utilized, the possibility of unequal expenditures appears for common vendors.

Finding Number: 06-DPH-07
Fiscal Year: 2006
Related Prior Findings: 03-DPH-02, 04-DPH-04, 05-DPH-05
Current Year Findings: 07-DPH-08
Program: 93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for fiscal year 2006 were \$3,025,930. Total expenditures for fiscal year 2006 were \$10,978,576.

We selected the following federal grants within the CDC Grant program for test work:

- Cancer screening and prevention
- Bioterrorism
- Public health surveillance

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section, which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

“In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period _____ to _____, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware’s Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated.”

However, the State of Delaware’s Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

Agency Contact

Terrance Zimmerman, Deborah Clendaniel, & Barbara Jarrell (302) 744-4700

Finding Status

Not corrected or partially corrected.

Status

- Division of Public Health (DPH) staff will be meeting with the State's contracted costing vendor to discuss methodologies for determining time and effort reporting.
- DPH will select a method of sampling, cost allocation and determination following discussions with vendor; and implement the sampling and reporting method across programs in the division.

Semi-annual certifications have been rewritten to specifically identify the cooperative agreement that is funding each specific position, as well as the percentage of time that each position is funded by the agreement. These certifications were implemented for the current project period including July 1, 2006, through December 31, 2006. We are in the process of collecting certifications for the period of January 1, 2007, through June 30, 2007. A reminder notice is due to Support Services for assistance in creation of personnel activity reports for those positions that are funded by more than one federal program.

Majority of this task is complete. Personnel activity reports for split-funded positions to be implemented by September 1, 2007, the start of the new budget period.

Anticipated Completion Date

September 1, 2007

Finding Number: 06-DPH-08
Fiscal Year: 2006
Related Prior Findings: 04-DPH-06, 05-DPH-06
Current Year Findings: 07-DPH-09
Program: 93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate
- Reviewing and changing as appropriate State appropriation codes and fiscal years
- Reviewing suspended items for propriety and changing status as appropriate
- Reviewing claims denied for propriety and changing status as appropriate

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total claims paid for the year ended June 30, 2006 were \$494,324. This amount impacts other financially related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$10,978,576.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Department of Health and Social Services (DHSS) Medicaid Management Information System (MMIS) to include Screening for Life cancer screening program.

Agency Contact

Carmen Herrera (302) 741-8610

Finding Status

Not corrected or partially corrected.

Status

SFL, IMS and IRM are currently working together on a Cancer Screening Information System RFP.

Contracted programmer performing system analysis and documentation in 2005-2007; test and production databases segregated in 2005; medical data collection policy enforced in 2005; contractor hired to collect missing MDE data project completed in 2005; tracking fees no longer paid to providers in 2006, completed cost proposal for MMIS enhancement received and reviewed in 2006, CDC informed program in March 2007 that October 2006 MDE submission met or exceeded the CDC standard for all eleven Core Program Performance Indicators; new Cancer Information system request for proposal (RFP) in process to determine most cost effective vendor solution for new system implementation in 2007.

Anticipated Completion Date

February 2008

Finding Number: 06-DPH-09
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DPH-03
Program: 93.283 Centers for Disease Control and Prevention
Investigations and Technical Assistance

Condition

For 4 of 7 procurements tested, standard state contracts were not utilized although the projects were competitively bid in accordance with State policy. The contract value for the four exceptions was \$1,676,959 and these contracts:

- Were not in the DHSS standard format and were executed by an individual who did not have the authority to execute the contract in accordance with State and DHSS policy.
- Did not include the standard suspension and debarment certification language, and it did not check suspension and debarment against the federal suspension and debarment listing

Additionally, for the construction projects the CDC program:

- Did not require certified payrolls from the contractor and did not perform monitoring procedures related to the Davis-Bacon Act
- Did not record the Construction Work in Progress (CWIP) in accordance with the State's Fixed Asset Manual

However, we did note that:

- All but one of the contracts were competitively bid in accordance with State policy (one not bid for \$160,981)
- The contractor was not suspended or debarred based on a review of the excluded parties list
- The contractor was notified by the State of the usage of appropriate wage rates

While we see in the FY 2006 CAP's current status that changes were made effective 2/1/06, we note that there were 7 full months during the fiscal year that the changes were not implemented, and there was a contract that was executed during this fiscal year that followed the conditions mentioned above.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the CDC Program develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact

Melody Lasana/Terry Zimmerman (302) 255-9235/(302) 744-4700

Finding Status

Not corrected or partially corrected.

Status

DMS/DPH will continue with the development and implementation of procedures to ensure the application of all procurement and fixed asset reporting requirements.

Anticipated Completion Date

May 2008

Finding Number: 06-DPH-10
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.917 HIV Care Formula Grants

Condition

HIV Formula Care Grant Program has not maintained its overall level of HIV-related expenditures. It is noted through inspection of reported information that federal funds of the HIV Formula Care Grants program expended were \$4,142,745 in State fiscal year 2005 and \$3,797,914 in State Fiscal Year 2006. However, the level of effort criteria covers the entire State's activities. Thus, through inspection of the periods April 1, 2003 through March 31, 2004 (2003) and April 1, 2004 through March 31, 2005 (2004) (the most recently completed fiscal years at the time of the application for 2006 funds), it was noted that the Division estimated that it had expended from all sources \$10,081,006 and \$10,499,036, respectively. Since estimates are used to determine total level of effort of HIV expenditures, it is not determinable whether the State actually meets the requirement.

Recommendation

We recommend that the HIV Program, in conjunction with the Department of Health and Social Services, Division of Management Services, work with other HIV service providing agencies throughout the State to obtain accurate expenditure information.

Agency Contact

John Kennedy (302) 744-1050

Finding Status

Fully corrected.

Status

As of April 2006, all financial information is based on actual expenditures.

Finding Number: 06-DPH-11
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.917 HIV Care Formula Grants

Condition

We noted one Payment Voucher (PV) document in our sample of 30 transactions tested that related to health insurance premiums totaling \$1,012, which were paid with federal funds.

We further noted, upon review of supporting documentation for Cash Receipt (CR) documents, that one CR included four checks totaling \$1,943 that were not credited to the expenditures for the program.

Recommendation

The HIV Program should comply with Division policies and procedures, which do not allow State expenditures to be charged to federal programs.

Agency Contact

James Talbott (302) 744-1050

Finding Status

Fully corrected.

Status

- Ensure that expenditures are charged against the appropriate program.
- On a quarterly basis, programs with multiple funding sources will be reconciled.
- DPH is unable to re-code the \$1,012 due to the close-out of the State fiscal year.

All CR transactions will be tracked until they are appropriately credited in DFMS.

Finding Number: 06-DPH-12
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.917 HIV Care Formula Grants

Condition

\$3,677,794 was expended under subcontracts for fiscal year 2006 for the HIV Formula Care Grant program. Total expenditures for the program for fiscal year 2006 were \$3,797,914.

The HIV Program routinely requests audit reports as part of its annual contract renewal process. The Division's "Checklist for Completing Contract Renewals" includes a line for recording the year of the most recent audit report, the date of the audit, and the initials of the individual who reviewed the report. However, the Division does not maintain copies of the OMB Circular A-133 audit reports received from subrecipients.

Recommendation

We recommend that the HIV Program:

- Retain all OMB Circular A-133 audit reports received.
- Obtain confirmation from subrecipients that do not submit an OMB Circular A-133 audit report that they were not required to do so because they did not meet the expenditure threshold or for some other reason.
- Document its consideration of any findings contained in the OMB Circular A-133 audit reports including the impact of any noncompliance or internal control weaknesses on the contract renewal process and future monitoring efforts.

Agency Contact

Stanley Waite (302) 744-1050

Finding Status

Fully corrected.

Status

The Ryan White Program reconciled the CCHS contract for total expenditures from 7-1-05 to 5-31-06.

The Ryan White Program ensures that all subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year will submit an OMB Circular A-133 within 9 months of the audit period.

The Ryan White Program monitors all subrecipients on an annual basis to ensure that a copy of the OMB Circular A-133 audit report is maintained in the pass-through office.

Finding Number: 06-DPH-13
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.917 HIV Care Formula Grants

Condition

Program management has an internal tracking system that details expenditures and rebates by month; however, the system is unable to show how it reconciles to the accounting system (DFMS).

Recommendation

We recommend that the Division's management add a control total to the internal tracking system so that it is possible to validate the accuracy of the data to DFMS.

Agency Contact

Jim Talbott (302) 744-1050

Finding Status

Fully corrected.

Status

All expenditures are tracked by budget line item on a weekly basis. The program has added a control line to the internal tracking system which now reconciles to DFMS.

Finding Number: 06-DPH-14
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DPH-04
Program: 93.283 Centers for Disease Control and Prevention,
Investigations and Technical Assistance

Condition

The CDC program did not record \$1.2 million in CWIP as an asset in accordance with the State's Fixed Asset Manual.

The CDC program also did not record \$101,419 for two fixed asset items purchased with federal funds on the Public Health Preparedness Section Fixed Assets report.

Recommendation

We recommend that the CDC program develop procedures to calculate, summarize and record CWIP in its financial reporting system. We further recommend that a physical inventory be taken for fixed asset items once every two years.

Agency Contact

Joe Hughes (302) 223-1720

Finding Status

Not corrected or partially corrected.

Status

Establish a procedure where the Supply, Storage and Distribution Coordinator in the Public Health Preparedness Section is made aware of all equipment purchases with PHPS funds, and to ensure that each item required to be entered onto the Fixed Asset Manual is done so properly, under the PHPS.

The two equipment items that were identified as belonging to the Environmental Health Evaluation Branch have since been moved from the EHEB Section's fixed assets report to Public Health Preparedness' Fixed Asset report. The \$1.2 million in renovations has not been added to the fixed asset report as the project was not complete for the fiscal year ending in July 2006. The expenditure will be a part of the GAAP report for 2007.

Anticipated Completion Date

March 2008

Finding Number: 06-DPH-15
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.283 Centers for Disease Control and Prevention,
Investigations and Technical Assistance

Condition

The SEFA includes \$10,978,576 of federal expenditures incurred by CFDA number 93.283. The source of this number is the Delaware Financial Management System (DFMS). The largest program under CFDA is the Public Health Preparedness Section and the expenditures per the DFMS general ledger are \$7.52 million for the fiscal year ended June 30, 2006. The Expenditure reports submitted by the Public Health Preparedness Section only support \$6.56 million in expenses reported to the Federal Government.

Recommendation

We recommend that the CDC program develop procedures to obtain and reconcile reports on all grants involving the CFDA number to the DFMS general ledger.

Agency Contact

Joe Hughes (302) 223-1720

Finding Status

Fully corrected.

Status

There are separate grants reported under the same CFDA number, which is likely the reason that the reports did not reconcile. Nor do the reporting periods match those of the time frame that was audited. The auditor admitted that it was going to be nearly impossible to reconcile these reports with the reporting periods being different than the auditing periods. The only way to ensure reconciliation in the future is to either change the audit period to reflect the reporting period, or to report every month in anticipation of this audit coming up again.

PHPS staff will utilize MOBIUS reports to verify expenditures for their grants. This provides the information necessary to reconcile the reports to the general ledger.

Finding Number: 06-DSS-01
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 93.596 Child Care Cluster

Condition

For one of 40 providers selected for eligibility test work, a provider file, which typically include documentation of provider eligibility (i.e. signed certificates and contracts), was unable to be found by program staff. As such, we were not able to determine provider eligibility and if related payments made to the providers were allowable at the time of service.

Recommendation

We recommend that DSS review provider files to ensure that all eligible providers are properly supported by adequate levels of documentation.

Agency Contact

Eulinda DiPietro (302) 255-9643

Finding Status

Fully corrected.

Status

DSS reviews all active provider files to ensure that each eligible provider has a current contract or certificate on file.

Filing will be up to date by July 20, 2007. Staff will then audit all of the child care files to ensure that only active provider/self arranged client information is being maintained and that all active files have appropriate documentation.

Finding Number:	06-DSS-02
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	10.551, Food Stamp Cluster 10.561

Condition

We noted in the prior year that although the State appears to meet the requirements outlined in the Criteria section above, we noted that the DCISII system and user documentation related to the Food Stamps Cluster has not been updated for at least two thousand system changes that have implemented since system inception. We recommended that the system and user documentation for the DCIS II system be updated to reflect current operations and be consistently updated in a timely manner for future changes.

Recommendation

We continue to recommend that the system and user documentation for the DCISII system be updated to reflect current operations and be updated in a timely manner for future changes.

Agency Contact

Robin Russell (302) 255-9756

Finding Status

No longer warranting further action.

Status

DCIS II programmers continue to document changes to DCIS II through our Project Management Tracking System (PMTS) as well as within the actual programs that are changed.

In PMTS, we write a Problem Change Request (PCR) to describe the needed change, as well as the resolution. We also can track the progress of a change – when the request is written, when it is programmed, tested, user tested and moved to production. In the DCIS II programs, each PCR is documented at the beginning of the program, with the PCR #, the date of the change and a brief description of the change. This allows programmers to go back to PMTS for details if necessary.

As a part of the initial DCIS II implementation, business logic diagrams and database design documents were created. These were created solely to support the implementation of the DCIS II. We never planned to maintain these as ongoing system documents and currently do not have the staff available to do so.

Finding Number: 06-DSS-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DMMA-03
Program: 93.775, Medical Assistance Cluster
93.777,
93.778

Condition

One out of the 25 Medicaid eligible files (10 from Medicaid Program sample and 15 from SCHIP Program sample) selected for eligibility test work was lost/missing. Per review of the State's eligibility system, we noted that the individual was eligible; however, we were not able to inspect a copy of the signed program application. We note that the missing file was reconstructed by DSS and the program application was resigned by the participant prior to the end of fieldwork.

Recommendation

The State should implement policies and procedures to aid in the maintenance and storage of participant case files.

Agency Contact

Barbara Hanson (302) 255-9580

Finding Status

Not corrected or partially corrected.

Status

The Deputy Director will include an article in the March 2007 Newsletter distributed to all DSS staff and advise them of the best practices for maintaining program eligibility documentation.

The article was sent in the March Newsletter to DSS staff.

Anticipated Completion Date

May 2008

Finding Number: 06-DTC-01
Fiscal Year: 2006
Related Prior Findings: 04-DTC-09, 05-DTC-05
Current Year Findings: 07-DTC-01
Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.063

Condition

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College.

Findings identified in the report include weaknesses related to the following:

- *Policies and procedures are not formalized (documented).* The College maintains general policies and procedures for the information technology department; however, detailed operating procedures are not documented. Documented procedures can help maintain continuity of operations in the event of turnover of key support personnel.
- *Backup and Recovery.* The College does not have a written plan for disaster recovery. Additionally, the College has not identified an alternate processing site for the Banner Application that can be used in the event that the datacenter at the Terry Campus should become unavailable.
- *User Account Administration.* Individuals had access to Banner who were no longer employed by the College, and some access levels that did not match current job responsibilities. Periodic access reviews are not performed to ensure that access to Banner remains appropriate over time.
- *High Access Levels.* There are an excessive number of Banner System Administrators. This function should be limited to the individuals who perform administration duties.
- *User Authentication Procedures.* Passwords are not required to change at the Banner or Unix level. There are no password complexity requirements.
- *Change Control.* The process for applying patches to Banner appears to be a sound process; however, the process for tracking Banner problems could be improved and the procedures for applying patches or upgrades to Unix have not been documented.

Of the six weaknesses noted on the prior page, three still exist as of June 30, 2006:

- Policies and procedures are not formalized (documented).
- Backup and Recovery.
- Change Control.

The other three weaknesses have been addressed and resolved. Delaware Technical and Community College is currently in the process of implementing its Corrective Action plan.

Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

Agency Contact

Gerard M. McNesby, Vice President for Finance (302) 739-4057

Finding Status

Not corrected or partially corrected.

Status

Per McBride Shopa & Company, P.A.'s Independent Accountant's Report completed September 6, 2006:

Formal Policies & Procedures

The formalization of policies and procedures is an ongoing process and therefore will continue indefinitely.

Formal policies and procedures in the area of information and technology are in the process of initial drafting. The college does maintain an acceptable use policy that all employees must acknowledge having reviewed as part of the process of becoming an employee of the College.

Backup & Recovery

Efforts are moving forward with implementing a number of actions steps that will result in Delaware Tech (DTCC) having a solid Disaster Recovery and Business Continuity Planning Program in place. Some of these planned/completed actions are: utilizing the Department of Technology Information's (DTI) Disaster Recovery Planning (DR) software system from Strol Systems with the initial effort being the development of a Business Impact Analysis of the critical areas with DTCC's operation; requested/continued funding to obtain new servers to replace aging servers and place existing servers at a Disaster Recovery Site; upgrades were made to the Network to provide redundant connections to the Internet; and plans are underway to use a Storage Access Network system which has been purchased and to backup each campus location at its reciprocal partner campus. These actions are understood and steps are being taken to formalize the Disaster Recovery and Business Continuity Long Term Plan by action and estimated completion date. Delaware Tech's Technology Department continues to review and enhance its DR plans as time and personnel permit.

Change Control (Banner Patch Application Process)

Testing disclosed that there was only one UNIX operating system patch applied since the last report in 2005 and the patch was handled properly. Since the audit testing confirmed that the process was being conducted properly, it was prioritized appropriately as a current area of limited concern. The College continues to document procedures and will continue to prioritize and develop policies as required.

Anticipated Completion Date

Ongoing

Finding Number: 06-DTC-02
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-DTC-02
Program: 84.007, Student Financial Assistance Cluster
84.032,
84.033,
84.063

Condition

Wilmington Stanton Campus

Thirty of the 30 students tested with FFEL aid at the Wilmington/Stanton campus were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

Terry Campus

Ten of the 30 students tested with FFEL aid at the Terry campus were not in compliance with the requirements, as no notification was sent within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

It was also noted that 30 of the 30 students tested were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

Owens Campus

Two of the 30 students tested with FFEL aid at the Owens campus were not in compliance with the requirements, as no notification was sent within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

It was also noted that 30 of the 30 students tested were not in compliance with the requirements that the notification sent state the date and amount of the disbursement.

Recommendation

We recommend that the three Delaware Technical and Community College campuses enhance the controls over FFEL disbursement notification to ensure compliance with the above notification requirements.

Agency Contact

Financial Aid Officers:

Debra McCain, Veronica Oney, & Jennifer Grunden (302) 571-5380, (302) 855-1667, & (302) 857-1042

Finding Status

Fully corrected.

Status

Current procedures have improved to comply with the recommendation by the auditors to enhance the controls over FFEL and PLUS notifications to students or parents to include disbursement dates and amount notifications within 30 days of crediting the student's account.

The enhancement includes the current ability for the Owens, Terry, and Stanton/Wilmington Financial Aid Offices of Delaware Technical and Community College to create and print Loan Disbursement Letters in the Banner system. Once loans have been disbursed to the student account, the population selection is created within Banner to capture each FFEL or PLUS loan disbursed for a selected date range. Loan Disbursement Letters are then printed on College letterhead, with the actual disbursement date and the actual amount of the disbursement for each student. The letter also includes, a statement concerning the right of the student or parent to cancel all or a portion of the loan and then have the loan proceeds returned to the holder of the loan. A Loan Disbursement Letter will be sent to all FFEL or PLUS loan recipients within 30 days of crediting the student's account.

Finding Number:	06-DTC-03
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	84.007, Student Financial Assistance Cluster 84.032, 84.033, 84.063

Condition

For 2 of the 35 students tested the Owens Campus did not send notification to the respective student or borrower offering the portion of the post-withdrawal disbursement in excess of the amount that could have been credited to the student's account. However, the Owens campus did disburse the excess funds to the respective students or borrowers by check.

Recommendation

We recommend that the Owens campus enhance the controls over the offering of the excessive portion of the post-withdrawal disbursements to the respective student within 30 days of the institution's determination that the student had withdrawn.

Agency Contact

Veronica Oney, Financial Aid Officer (302) 855-1667

Finding Status

Fully corrected.

Status

In response to audit finding 06-DTC-03, written notification is currently being sent to all qualifying students within the 30 day window offering the excessive portion of the post-withdrawal disbursements. The process was instituted immediately following the Owens Campus audit.

Finding Number:	06-DTI-01	
Fiscal Year:	2006	
Related Prior Findings:	04-DTI-01, 05-DTI-01	
Current Year Findings:	None	
Program:	10.551, Food Stamp Cluster	Eligibility
	10.561	
	10.557 Supplemental Nutrition Program for Women, Infants, and Children	Eligibility
	17.225 Unemployment Insurance	Eligibility
	17.258, Workforce Investment Act	Eligibility
	17.260	
	20.500, Federal Transit Cluster	Reporting
	20.507	
	20.205 Highway Planning and Construction Cluster	Reporting
	93.558 Temporary Assistance for Needy Families	Eligibility
	93.563 Child Support Enforcement	Eligibility
	93.596 Child Care Cluster	Eligibility
	93.767 State Children's Health Insurance Program	Eligibility
	93.775, Medical Assistance Cluster	Eligibility
	93.777,	
	93,778	

Condition

Findings identified in the report, entitled State of Delaware Office of the Auditor of Accounts, Department of Technology and Information, Biggs and William Penn Data Center General Controls Follow-Up, include weaknesses related to the following for the Biggs data center:

- Data security and classification
- User account management
- Data file access and security administration
- File transmissions
- Business resumption
- Physical security and environmental controls
- Program change control
- Tape back-up

Additionally, the following weaknesses were identified for the William Penn data center:

- Operating system and application development
- Data file access and security administration
- Change control
- Physical security
- Disaster recovery planning and back up procedures

Based on interviews with DTI personnel, weaknesses in the following areas have been addressed in the current year:

Biggs

- File transmissions
- Program change control

William Penn

- Operating system and application development
- Data file access and security administration
- Physical security
- Disaster recovery planning and back up procedures

However, the implementation of the corrective action plan asserted by DTI to resolve the above issues was not audited.

Recommendation

We continue to recommend that the Department of Technology and Information implement the recommendations as detailed in the above-referenced report.

As per the Summary Status of Prior Year Findings, remediation efforts are ongoing but have not yet been completed as of June 30, 2006.

Agency Contact

Trisha Neely, Director-Division of Accounting (302) 672-5500

R. Dale Abbott, IT Audit Control Specialist-Department of Technology and Information (302) 739-9634

Finding Status

Not corrected or partially corrected.

Status

Of the five (5) findings partially implemented from the September 2006 report, three (3) are closed and two (2) are still partially implemented.

1. *Partially corrected - Windows Domain (everyone group).*

The recommendations have been implemented to the extent possible; however, some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.

As of July 18, 2007: Item is still partially implemented.

2. *Fully corrected. Data File Access and Security Administration.*

As of September 2006: Data File Access and Security Administration – ACF2 accounts with SECURITY or ACCOUNT privileges (finding #11 from the Biggs Data Center report). This recommendation has been partially implemented. The access was corrected; however, no monthly review of access has been implemented.

As of February 22, 2007: Monthly reviews of access logs are done at the beginning of each month.

3. *Fully corrected. Data File Access and Security Administration.*
As of September 2006: Data File Access and Security Administration – ACF2 accounts with AUDIT privileges (finding #12 from the Biggs Data Center Report). This recommendation has been partially implemented. The access was corrected; however no monthly review of access has been implemented.
As of February 22, 2007: Monthly reviews of access logs are done at the beginning of each month.
4. *Partially corrected. Windows Domain (Group Policy).*
As of September 2006: Windows Domain (Group Policy) (finding #10 from the fiscal 2005 report). The recommendation has been implemented to the extent possible; however some older versions of the Windows Operating System do not allow this recommendation to be fully implemented.
As of July 18, 2007: Item is still partially implemented.
5. *Fully corrected. ACF2 (Restricted Logon ids).*
As of September 2006: ACF2 (Restricted Logon ids) (finding #12). Logon ids with RESTRICT have been limited, however DTI disagrees with our recommendation to place PROGRAM and SUBAUTH privileges on these IDs.
As of February 22, 2007: An agreement was met between the auditors doing the review and the technical staff that the status as of September 2006 was going to remain static.

The creation and approval of the State of Delaware Information Security Policy addresses the areas noted that involved policy.

Anticipated Completion Date

Ongoing

Finding Number: 06-ED-01
Fiscal Year: 2006
Related Prior Findings: 05-ED-03
Current Year Findings: 07-ED-01
Program: 84.287 21st Century Community Learning Centers

Condition

The State Department of Education (DOE) did not follow its internal policies and procedures established to monitor the activities of its subrecipients under this program, as evidenced by the following:

- For one of the program's five subrecipients, there was no evidence that the required site visits had been performed by DOE.
- For the program's five subrecipients, DOE had not received any of the required annual expenditure reports or outcome-based data from the subrecipients.
- DOE could not provide evidence that they have monitored and received the A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards.

The total amount of expenditures passed through to subrecipients was \$3,014,112 for the year ended June 30, 2006. Total expenditures for the program as a whole were \$5,048,381.

Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are documented and reviewed by a supervising official. We further recommend that DOE ensures that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Agency Contact

Theresa Vendrzyk Kough (302) 739-4269

Finding Status

Not corrected or partially corrected.

Status

21st CCLC sites are visited three times per year. The 21st CCLC program manager meets bi-monthly with the contractor conducting the site visits. A letter is sent to the 21st CCLC grantee listing commendations and recommendations. The grantee is given a date to respond to any findings. Recommendations and required follow-up are entered into an EXCEL spreadsheet, which is maintained by the 21st CCLC administrative assistant. The 21st CCLC program manager monitors follow-up and recommendations weekly. Grantees not making required changes to program risk withholding of funds.

Anticipated Completion Date

March 2008

Finding Number: 06-ED-02
Fiscal Year: 2006
Related Prior Findings: 05-ED-04
Current Year Findings: None
Program: 84.010 Title I Grants to Local Educational Agencies
84.048 Vocational Education
84.027, Special Education Cluster
84.173

Condition

The State Department of Education (DOE) provides centralized statewide data management for public education.

The State's Office of the Auditor of Accounts originally performed procedures relating to the general and application controls surrounding the eSchoolPlus computer system, which is used for student accounting at the School District and Department of Education levels, for the period February 19, 2004 through March 31, 2004 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment). This report, which identified 21 recommendations, which was followed up by a report, dated April 26, 2005 (Department of Education, General Information System Controls for the eSchoolPlus Processing Environment Follow-up). The follow-up report noted that five of the 21 findings had been implemented, six had been partially implemented, and ten had not been addressed by DOE.

There was an additional follow-up report dated September 22, 2005, which noted that three of the 21 findings had been partially implemented by DOE. Recommendations were made for DOE to fully implement their corrective action plans for three remaining deficiencies in general and application controls surrounding the eSchoolPlus system.

The remaining deficiencies related to:

- Security administration
- Data integrity

Recommendation

We recommend that DOE implement corrective actions as contemplated in their response to the Office of the Auditor of Accounts' reports to reasonably ensure integrity of the eSchoolPlus system.

Agency Contact

Robert E. Czeizinger (302) 735-4140

Finding Status

Fully corrected.

Status

The Delaware Department of Education (DDOE) implemented two corrective actions to address the deficiencies relayed above.

The Department worked on several aspects of Security Administration by implementing a tracking system for determining who was doing what on the eSchoolPlus databases. This is implemented as part of eSchoolPlus and allows for the creation of an audit trail for each school district. We created a new DDOE user account creation policy and form. This policy is used to create new DDOE accounts and for backup of the creation of those accounts. Additionally, we now routinely remove inactive accounts based on our Inactive Accounts Policy.

We addressed the Data Integrity deficiency by creating a disaster recovery plan and by implementing a uniform database backup procedure. Although the Disaster Recovery Plan and Backup procedure has existed more than one year we had not fully discussed either with the District Pupil Accounting Coordinators. Both of these issues will be discussed in full detail at the next Pupil Accounting Coordinators meeting scheduled for March 27, 2007.

Finding Number: 06-ED-03
Fiscal Year: 2006
Related Prior Findings: 05-ED-05
Current Year Findings: 07-ED-02
Program: 84.048 Vocational Education
84.027, Special Education Cluster
84.173

Condition

Vocational Education

Of the 30 payroll expenditures selected for test work, we noted that 7 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications.

Special Education

Of the 30 payroll expenditures selected for test work, we noted that 8 were based on budgeted, rather than actual, effort supported by the employees' time and effort certifications. We also noted that DOE could not provide a signed time and effort certification for one of the employees selected.

Recommendation

We recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications. We also recommend that DOE ensure that all employees being paid with federal awards complete and sign time and effort certifications to support the payroll costs.

Agency Contact

Tammy Korosec (302) 735-4045

Finding Status

Not corrected or partially corrected.

Status

The Delaware Department of Education will discuss this matter with the Office of Management and Budget to try to bring resolution to this matter.

Anticipated Completion Date

Ongoing

Finding Number: 06-ED-04
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 84.010 Title I Grants to Local Educational Agencies

Condition

In testing the 2005 National Public Education Financial Survey, we noted the following exceptions:

- 3 of the 8 School Districts selected for test work had amounts reported that did not agree to the Delaware Financial Management System (DFMS). We compared all amounts for these 3 School Districts to DFMS, noting this resulted in a net overstatement of available funds of \$269,509.
- The Title I exclusions on the National Public Education Financial Survey (Section 7 - c & d) did not properly reconcile to DFMS. This resulted in an understatement of exclusions of \$287,018 (overstatement of total expenditures).

The equipment value of \$941,529 was double counted on the 2005 National Public Education Financial Survey, as it was included in Section 6 –VI (Facilities Acquisition & Construction Services) as part of the calculation for lines #1 and #2 as well as separately disclosed on line #3.

Recommendation

We recommend that the Department put procedures in place for the data reported in the SPPE to be reviewed by an individual that is independent of preparing the report. In addition, we recommend that the Department submit an amended SPPE Form to the U.S. Department of Education (DOE) to correct the error.

Agency Contact

Jerry Gallagher (302) 735-4040

Finding Status

Fully corrected.

Status

When the 2005 National Public Education Financial Survey was submitted, it was noted that the report would require revisions due in part to a programming error. The revisions have recently been completed and the department will be contacting the National Center for Educational Statistics concerning the process for submitting its revisions. For 2006, a staff member has been delegated the responsibility for preparing the reports. The final reports will then be reviewed by the Director of Financial Management and then approved/submitted by the Associate Secretary for Finance and Administrative Services.

Finding Number:	06-ED-05
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	84.027, Special Education 84.173

Condition

DOE could not provide a supporting calculation to show compliance with the State-level maintenance of effort requirement for the Special Education program. We also could not obtain documentation that DOE has any process or controls in place to monitor the level of State financial support given to the federal program as compared to the preceding fiscal year to ensure compliance with the requirement.

Recommendation

We recommend DOE develop policies and procedures to track the State financial support given to the Special Education program in order to monitor their compliance with the Level of Effort requirements.

Agency Contact

Tammy Korosec	(302) 735-4045
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Finding Status

Fully corrected.

Status

Although we did not have a separate report, we did maintain and increase our level of effort for the last four years as required. Documentation has been provided to the auditors. In the future, the report will be updated yearly and maintained on-site for review.

Finding Number: 06-ED-06
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 84.287 21st Century Community Learning Centers

Condition

We noted, based on a sample of 22 payroll charges, that Red Clay School District did not adequately maintain the personnel activity reports (effort reports) as required for 16 employees who worked solely on a single federal program by not obtaining the signature of the employees.

Recommendation

We recommend that the above School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Agency Contact

Brett Taylor, Chief Financial Officer (302) 683-7767

Finding Status

Fully corrected.

Status

The District is currently maintaining time and effort sheets for the federal programs and will monitor the program requirements to ensure compliance.

Finding Number: 06-ED-07
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 84.287 21st Century Community Learning Center

Condition

For the four subrecipients included in our sample, we noted that the Red Clay and Indian River School Districts did not have internal policies and procedures established to monitor the activities of its subrecipients under the 21st Century Community Learning Center program.

For the Districts' four subrecipients, there was no evidence that any site visits had been performed, nor could the Districts provide evidence that they have monitored and received the A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards.

The total amount of expenditures passed through to these subrecipients was \$219,027 for the year ended June 30, 2006.

Recommendation

We recommend that the Districts noted above establish policies and procedures to ensure that 21st Century subrecipient activities are monitored on a timely basis, that a formal site visit process be put in place (i.e. standardized form to complete on site, standardized summary of findings and recommendation letter, etc). We also recommend that systematic procedures are put in place to include management review of site visit reports and to monitor the responses to corrective actions from the subrecipients.

We further recommend that the Districts noted above ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis. We also recommend that the Districts put procedures in place to monitor and review all required A-133 audits.

Agency Contact

Indian River: Patrick Miller (302) 436-1000

Red Clay School District: Brett Taylor (302) 683-6676

Finding Status

Not corrected or partially corrected.

Status

Indian River:

Written procedures and documentation should be established by the Indian River School District (North Georgetown Elementary School) that will develop, implement and monitor a methodology for the formal documentation and evaluation of the objectives and activities performed at the subrecipient sites for the Boys & Girls Club of Delaware (Georgetown Chapter), First State Community Action, Georgetown Elementary School, Richard Allen School, La Esperanza, Inc., as well as North Georgetown Elementary School in accordance to the grant objectives and proposal.

Written policies and guidelines should be developed and maintained in accordance with the stipulations for receiving and monitoring A-133 financial audits of the sub-recipients which include; but are not limited to, Boys & Girls Club of Delaware (Georgetown Chapter), First State Community Action, Georgetown Elementary

School, Richard Allen School, La Esperanza, Inc., as well as North Georgetown Elementary School in accordance to the grant objectives and proposal.

Red Clay School District:

The District concurs with the finding and will monitor the subrecipient activities and perform site visits to determine corrective action. Lastly, financial reporting will be requested from the subrecipients on an annual basis.

Finding Number: 06-ED-08
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 84.010 Title I Grants to Local Educational Agencies

Condition

We noted that for one of the nine vendors selected for test work, the District did not follow the proper procurement process. The District could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process had been made. Also, the District could not provide evidence of an executed contract between the District and the vendor for the services provided during the audit period.

Recommendation

We recommend that the District ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. In cases where competition is limited, justification and approval should be documented in the contract file. We also recommend that a copy of the executed contract between the District and the vendor be maintained.

Agency Contact

Patrick O'Rourke (302) 552-2614

Finding Status

Fully corrected.

Status

The Christina School District procurement policies and procedures will ensure that all contracts are awarded on a competitive basis using the State of Delaware School Laws stated in Title 29, Chapter 69, State Procurement. All awards will be competitively bid unless there is sufficient evidence for sole source procurement. If a contract is proven to be sole source the district will follow Title 29, Chapter 69, section 6965 describing the approved policies and procedures. Once the award is approved by the Christina School District Board of Education, a contract will be issued to the vendor with a copy maintained in the file.

Finding Number: 06-ED-09
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None
Program: 84.010 Title I Grants to Local Educational Agencies

Condition

We noted that the third and fifth components were not included in one of the four Schoolwide plans we reviewed. The District had fourteen Schoolwide programs during the year ended June 30, 2006.

Recommendation

We recommend that the District develop procedures to ensure each Schoolwide plan incorporates all necessary components listed in the federal regulations.

Agency Contact

Patrick O'Rourke (302) 552-2614

Finding Status

Fully corrected.

Status

Procedures were reviewed and are in process of being revised to ensure the school-wide plans include appropriate parent participation and input, that the plans address parental involvement, and appropriate transition plans for assisting preschool students in their transitions. Plans developed for the 2007-2008 school year for Title I schools were also reviewed for adequacy. There were issues noted in the reviews that school teams will need to address before FY08 parental involvement money is spent. Once these issues are resolved, then the plans will be approved by District Office.

Finding Number:	06-ED-10
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	10.553, Child Nutrition Cluster
	10.555,
	10.556,
	10.559

Condition

We noted that 15 of 30 students selected for eligibility test work were flagged by the District in the eSchoolPlus and PCS systems as being directly certified (DCRT), as students who were determined by DHSS to be eligible for the Food Stamps and/or TANF programs. We noted for 2 of the 15 DCRT students, that the DHSS information system (DCIS II) did not contain record that these students were eligible for Food Stamps or TANF programs for the year ended June 30, 2006.

We also noted that the Delaware Department of Education (DOE) performed an internal Coordinated Review Effort (CRE) to monitor the District's administration of the School Nutrition program. The monitoring report issued by DOE on 2/9/07 identified a finding and recommendation related to the maintenance of the Direct Certification List used by the District's technology department to establish DCRT students in the PCS system.

Recommendation

We recommend that the District put procedures in place to ensure the data obtained from the DHSS information system remains consistent with the data maintained in the eSchoolPlus and PCS systems so that only Food Stamp and TANF eligible students are considered DCRT. We also recommend that the District implement the recommendation as detailed in the above-referenced monitoring report.

Agency Contact

Tony Williams (302) 454-2284

Finding Status

Fully corrected.

Status

The incorrect e-school link was corrected and is now in use for the DCRT program.

Finding Number: 06-ED-11
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-ED-04
Program: 84.010 Title I Grants to Local Educational Agencies
84.027, Special Education Cluster
84.173
84.048 Vocational Education
84.367 Improving Teacher Quality State Grants

Condition

The District could not provide documentation supporting the funding of salaries with federal funds. Semi-annual certifications were not provided for employees who spent 100% of their time in one federal program. Time and effort reporting was not provided for employees who worked on multiple activities.

In addition, the District uses a replacement methodology to charge salaries to the Title II, Part A, *Improving Teacher Quality State Grants* federal program. Based on discussions with the District, a replacement is a federally funded employee (typically a lower paid employee) who is not the employee actually working in the Title II program.

Recommendation

We recommend that the District maintain personnel activity reports (effort reports) for all employees who work on multiple programs and obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source.

Agency Contact

Patrick O'Rourke (302) 552-2614

Finding Status

Not corrected or partially corrected.

Status

Three main actions were taken to resolve this finding:

1. All employees who were funded from a federal appropriation and any other appropriation were reviewed and their funding source was changed to only one federal funding source, or their federal funding source was removed. All FY07 regular salary and associated expenses for these employees were changed to match the funding source. Certification about these employees and their Time and Effort is being obtained to support their new funding source.
2. Documentation was developed and approved that supports two employees who administer federal funds being considered as such and therefore only requiring semi-annual certification. This certification was completed.
3. Replacement methodologies are no longer being utilized by the District.

Anticipated Completion Date

July 20, 2007

Finding Number: 06-OMB-01
Fiscal Year: 2006
Related Prior Findings: 04-ED-01, 04-ED-02, 05-OMB-01
Current Year Findings: 07-DOT-01
Program: 20.205 Highway Planning and Construction Cluster

Condition

We noted the following instance across the State in which the composite clearance method was not appropriately followed:

For the Highway Planning and Construction Cluster, we noted that out of thirteen draws selected, seven were made five days subsequent the midpoint of the group of composite disbursements, and five were made six days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns included in the sample were \$28,334,717, of which \$15,272,218 was drawn on the fifth day and \$13,072,499 was drawn on the sixth day.

The State reported no interest liability on its annual report for the year ended June 30, 2006.

Recommendation

We recommend that the State's OMB continue with its corrective action plan including the following initiatives:

- Develop Statewide policies and procedures related to federal cash management activities,
- Provide copies of the Treasury-State agreement to each impacted agency, and
- Provide periodic training sessions for individuals responsible for federal cash management activities.

Agency Contact

John D. Nauman 302-672-5129

Finding Status

Not corrected or partially corrected.

Status

OMB contacts the agencies on a daily basis communicating sound fiscal procedure and practice. The Treasury State Agreement (TSA) is available to all agencies. The F25Y5405 is now on Mobius so all agencies can review their specific check clearance pattern results. Getting this added to Budget & Accounting Manual training is in progress.

Anticipated Completion Date

Formal training for cash management activities should commence in January 2008.

Finding Number:	06-OMB-02
Fiscal Year:	2006
Related Prior Findings:	None
Current Year Findings:	None
Program:	64.005 Grants to States for Construction of State Home Facilities

Condition

Per review of communications from the Department of Veterans Affairs (VA), we noted that the VA allowed reimbursement of project expenditures from July 26, 2004 forward. In reviewing the detailed list of project expenditures included in the reimbursement request, we noted that \$29,911 of disallowed expenditures were included in the base calculation for the drawdown request. These costs were for allowable purposes per terms of the grant agreement, but are considered disallowed because they were incurred outside of the VA approved reimbursement period.

We did note, however, that actual total expenditures were reduced by \$57,332 (reduction of actual down to project budgeted expenditures) to arrive at amounts requested in the drawdown. As a result, the amount received from the federal government was less than the total allowable amount.

Recommendation

We recommend that OMB implement internal controls to ensure that the identification of errors in the allowable cost base occurs prior to drawdown request and financial report submission.

Agency Contact

Sandra R. Stump	(302) 672-5106
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Finding Status

Fully corrected.

Status

Prior to the onset of federal projects, OMB will implement internal controls to ensure only allowable costs are submitted for reimbursement.

Finding Number: 06-OMB-03
Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: 07-OMB-01
Program: 64.005 Grants to States for Construction of State Home Facilities

Condition

During fiscal year 2006, \$10,836,858 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was 65% federally funded.

Although the Office of Management and Budget was aware that the federal prevailing wage rates applied and the contractors were so informed, the Office of Management and Budget did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Office of Management and Budget develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact

Sandra R. Stump (302) 672-5106

Finding Status

Not corrected or partially corrected.

Status

OMB believes that the responsibility to adhere to the guidelines of the Davis-Bacon Act lies in the purview of the State Department of Labor. In addition, Requests for Proposals (RFPs) and contracts include language addressing compliance to federal and state guidelines.

Anticipated Completion Date

October 17, 2007

Finding Number: 06-SAM-01
Fiscal Year: 2006
Related Prior Findings: 04-SAM-02
Current Year Findings: 07-SAM-02
Program: 93.959 Block Grant for the Prevention and Treatment of Substance Abuse

Condition

In our sample of 30 non-payroll transactions from fiscal year 2004 (total sample \$322,080), we noted 2 items for administrative costs (total \$1,457) that were allocated to the Block Grant for the Prevention and Treatment of Substance Abuses on the basis of total funding available from various funding streams rather than actual usage of these services (i.e., Attorney General charges) by the program. The allocation process was not corrected in fiscal year 2006 by the program.

Total non-payroll costs other than contractual services for client service charged to the cluster for fiscal year 2006 were \$45,609.

Recommendation

We recommend that the Division develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program.

Agency Contact

Benjamin J. Klein (302) 255-9153

Finding Status

Not corrected or partially corrected.

Status

Procedures have been developed to ensure that administrative costs charged to the Block Grant are for actual goods and services related to grant objectives. These procedures were implemented on a pilot basis during FY07, and will be fully implemented during FY08.

Anticipated Completion Date

June 2008